Austria Sch22	Indonesia ... Rp3100	Portugal Esc120
Bahrain ... Din0.650	Israel NS3.50	S.Arabia Rl47.00
Belgium BFr48	Italy L1700	Singapore ... S$4.10
Canada ...... C$1.00	Japan Y600	Spain Pta145
Cyprus ...... C£0.90	Jordan Fils500	Sri Lanka Rup30
Denmark . DKr10.00	Kuwait Fils500	Sweden SKr9.00
Egypt .... E£2.25	Lebanon .. $1125.00	Switz SFr2.30
Finland Fmk7.00	Lux LFr48	Taiwan ...... NT$85
France FFr6.50	Malaysia ... Rin4.25	Thailand Bht50
Germany ... DM2.30	Mexico Pes300	Tunisia ... Din0.800
Greece Dr120	Morocco Dh6.00	Turkey L600
Hong Kong... HK$12	Neth Fl3.00	UAE Dh6.50
India Rup15	Norway Nkr10.00	USA $1.00

EUROPE'S BUSINESS NEWSPAPER

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KURDISH PLIGHT

Refugees struggle against their fate

Page 18

World News

Iraq's leader warns that Gulf War may restart

President Saddam Hussein of Iraq said that the eight-year war with Iran would break out if the Iranians searched any Iraqi ships in the Gulf.

He told a conference of Arab information ministers in Baghdad that the war had not formally ended despite a UN-mediated ceasefire which went into effect on August 20.

Freedom of navigation in the Gulf is one of the sticking points that have prevented progress at peace talks between in Geneva which began on August 25.

Khomeini chides PM

Iran's Ayatollah Ruhollah Khomeini publicly rebuked Mr Mir Hussein Mousavi, his Prime Minister, for offering to resign. President Ali Khamenei told Mr Mousavi that his resignation had been rejected, and Ayatollah Khomeini said that he should stop quibbling and get on with his job. Page 20

UK post strike

Leaders of Britain's Post Office union said that 90,000 of the country's 140,000 postal workers had joined strikes. The Post Office said that more than half of the total network of letter-handling offices was at a standstill. Page 7

Rocard tax boost

Growth of the French economy has provided a boost to tax receipts and left the socialist Government of Mr Michel Rocard with more room than expected to raise spending. Page 2

Chile opposition

Chilean television began giving air time to opponents of Gen Augusto Pinochet's regime for the first time in 15 years of military government. Page 5

Peru strike call

Peru's National Federation of Miners, Metallurgical and Steel Workers in Peru announced a 72 hour strike next Monday. Page 5

India journals strike

Newspapers closed across India in display of unity by India's press against proposed legislation that would restrict investigative reporting. Page 3

Burma military shift

Heroes of Burma's independence struggle, linked to Gen Ne Win, the former president, by a blood oath, publicly abandoned him to side with an uprising against the system he created. Page 3

Israel poll campaign

The campaign for this November's general election in Israel began with the right wing bloc holding a narrow lead in opinion polls.

Opposition praised

Hungary's leadership has welcomed the formation of a formal opposition movement by a group of prominent Hungarian dissidents. Page 2

Soviet 'bribed'

Mr Nikolai Shcholokov, a former Soviet Interior Minister and friend of the late leader Leonid Brezhnev, was posthumously accused in court of taking jewels, delicacies and cash in bribes. Page 2

Solidarity warned

Poland's Communist authorities warned the outlawed Solidarity trade union that the Government would break off talks with the opposition if the labour movement fomented new industrial unrest.

Business Summary

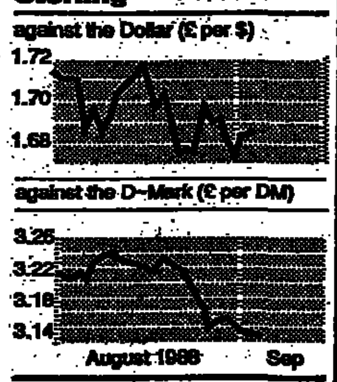
Japan widens foreign access to bond issue

JAPAN'S Ministry of Finance bowed to government pressure from the US and Europe and announced plans to give foreign banks and securities firms enlarged access to the underwriting and distribution of the key 10-year Japanese government bond issue. Page 21

STERLING improved yesterday in currency markets, feeding on concern that UK interest rates may be increased. It was underpinned by the dollar's weaker tone after the long US weekend and also improved against the D-Mark. Foreign exchanges, Page 31

Sterling

against the Dollar (£ per $)



CRA, diversified Australian resources group 49 per cent owned by RTZ of the UK, reported half-year profits which equalled 1987's record full-year result, reflecting the recent turnround in world metal prices. Page 21

SEDGWICK Group, world's second-biggest insurance brokers, saw its half-yearly pre-tax profits drop 26 per cent to £61.9m amid worst trading conditions in the broking community's recent history. Page 21

DOW CHEMICAL, big US producer of bulk chemicals, will this week launch a $366.1m offer for Essex Chemical as part of a friendly agreement with the New Jersey specialty chemicals company. Page 23

SWISSAIR is to withdraw its offer to buy a stake in Aerolineas Argentinas, the Argentine national airline. Page 23

SOCIETE Générale de Belgique's reorganised management is to produce by the end of the year a far-reaching strategic plan for the sprawling conglomerate. Page 23

PROCTER & GAMBLE, the leading household and personal care products group, is forming a joint venture with Industrias Mammi, a personal care products company based in Caracas. Page 23

ITALY'S Banca Commerciale Italiana, still smarting from its inability to acquire Irving Trust of New York after intervention by the US Federal Reserve Board, rejected criticism by the Italian foreign ministry. Page 23

NEW SHARE index of 25 leading Italian blue chips was launched in Milan by Studio Aletti, the securities house chaired by Mr Urbano Aletti, former president of the Milan Stock Exchange. Page 26

ZANUSSI, the Italian arm of Sweden's Electrolux white goods group which is about to lose its chief executive to Alitalia, the Italian airline, combined news of strong results with the announcement of a major decentralisation of management. Page 24

FEDERAL EXPRESS of the US, one of the world's largest package delivery companies, is negotiating to buy Unilever's transport operations in West Germany and the Netherlands. Page 24

CHARGEURS, the diversified French industrial group, is selling Spontex, the world's leading maker of synthetic sponges, to 3M of the US for FFr1.1bn ($180m). Page 24

Zhao may be stripped of control over the economy

By Peter Ellingsen in Peking and Colina MacDougall in London

ZHAO ZIYANG, the Chinese Communist Party General Secretary and a leading proponent of free-market reform, appears to have been forced to relinquish control of economic policy.

The move suggests that controversy over China's economic reform programme may have reached a decisive point and that further economic liberalisation may be delayed.

Premier Li Peng, a more conservative reformer, appears to have assumed the leading economic policy role in China, judging by the publicity accorded him in recent days.

Zhao, who is also senior vice-chairman of the key Military Commission, was not listed to meet Mr Frank Carlucci, the visiting US Defence Secretary, who is currently in Peking.

Nor was he given the job of briefing President Gustav Husak of Czechoslovakia on China's reform policies during his recent visit to China.

Mr Husak instead met Premier Li, who favours caution and stability.

In his talks with Mr Carlucci, Li was reported to have denied that recent Chinese economic reforms had been curtailed.

However, a meeting of the ruling State Council last week agreed a series of measures slowing economic growth and delaying a long-promised but controversial price reform programme.

Unofficial reports from Peking have also suggested that a recent Politburo meeting decided to give Zhao's economic responsibilities to Li and Yao Yilin, first vice-premier, also a cautious reformer.

It is well known in Peking that the leadership is divided over the speed at which China should overhaul its hitherto tightly controlled system of prices and wages.

The cautious reformers within the leading group, headed by Li Peng, fear a political backlash as people feel the impact of higher prices and commodity shortages.

Already Zhao's push to introduce free market measures have led to widespread panic buying in large cities, hoarding and a run on banks in Shanghai.

Last week's State Council decisions, widely interpreted as a rebuke to Zhao, were seen as an attempt to dampen expectations and allay growing consumer unrest.

Zhao Ziyang: push to introduce free market measures

Stoltenberg predicts greater momentum as growth forecast raised

By David Marsh in Bonn

THE WEST GERMAN economy, expected to grow by more than the expected 3 per cent this year, is heading with increased momentum towards a seventh successive year of upturn in 1989, Mr Gerhard Stoltenberg, the Finance Minister, told parliament yesterday.

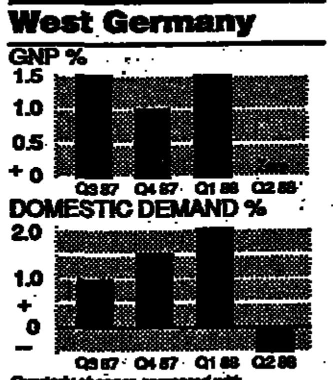
Official figures published yesterday meanwhile showed that West Germany's gross national product (GNP) rose a real 3.9 per cent in the first half of 1988 over the depressed first six months of 1987. The economy, however, flattened out in the second quarter with seasonally adjusted figures showing no change in GNP between April and June after a first quarter spurt in which GNP rose 1.5 per cent.

Domestic demand fell by 0.5 per cent in the second quarter after a 2 per cent first quarter rise, other figures showed. Those data underlined worries at the Bundesbank, the central bank, that exports rather than internal demand were becoming the driving force.

Opening a four-day Bundestag debate on the 1989 budget at the start of the autumn parliamentary session, Mr Stoltenberg paid tribute to international monetary co-operation which had curbed the weakness of the dollar.

The minister, who can now look forward to an easing in US pressure for a boost to German growth, was also plainly buoyed by Monday's sudden resignation of the opposition's finance policy spokesman, Mr Hans Apel, who served as Finance Minister in a Social Democratic Party (SPD) Government.

West Germany



Quarterly changes compared with previous three months

Mr Apel, a distinctive parliamentary performer whose oratory has often discomfited Mr Stoltenberg, was due to have opened the debate for the opposition yesterday, but retired to the back benches after he was voted off the party's governing board last week.

Mr Apel's place was taken at the last moment by Mr Helmut Wieczorek, a little-known SPD deputy. Replying to the Finance Minister, he accused Mr Stoltenberg of breaking promises to put the budget on a sound footing and bring down unemployment.

Declaring that the SPD's oft-broadcast pessimism over the economy had been shown as unjustified, Mr Stoltenberg said higher tax revenues caused by greater than expected growth this year would be used to cut government borrowing.

He presented a 1989 budget - details of which were already decided by the cabinet on July 7 - showing a 4.6 per cent rise in central government spending to DM288bn ($155.6bn), with the deficit planned to be lowered to DM32bn above all as a result of a DM8bn increase in consumer taxes.

In the aftermath of last October's stock market crash, the Government in January forecast GNP growth for 1988 of only 1.5 to 2 per cent.

The projection was widely regarded at the time as over-optimistic, but has now been superseded by the latest 3 per cent forecast. More buoyant tax revenues for 1988, DM1.5bn up from previous predictions, will reduce the 1988 budget deficit to DM37.7bn, against DM39.2bn when Mr Stoltenberg put his figures before the cabinet in July.

The Finance Minister said the 1988 deficit, well above the DM29.5bn planned at the end of last year, was still too high.

New bribery allegations emerge in Japan

By Stefan Wagstyl in Tokyo

FRESH allegations of bribery have emerged in a Japanese stock market scandal involving aides to top politicians. The new charges could further complicate attempts by Mr Noboru Takeshita, the Prime Minister, to implement a comprehensive tax reform, which has been stalled in the Diet (Parliament) for over a month.

The latest twist in the affair was played out on television on Monday night as millions of viewers watched a secretly filmed meeting between Mr Yanosuke Narazaki, an opposition Diet member, and an executive of Recruit Cosmos, the company at the centre of the scandal.

The television cameras, planted with Mr Narazaki's knowledge, recorded a conversation in which Mr Hiroshi Matsubara, of Recruit Cosmos, referred to a previous meeting in which he had allegedly offered Mr Narazaki a box of cakes and Y5m ($36,000) in cash.

"It's just a souvenir," Mr Matsubara said in the recording.

Mr Matsubara resigned just before the recording was televised.

The Justice Ministry said yesterday that it would probe the bribery allegation as if Mr Narazaki brought the case.

Mr Narazaki, a member of the small Social Democratic Federation party, has been one of the Diet members most

Continued on Page 20

US-Japan chip agreement may be abolished

By Louise Kehoe in San Francisco

THE CONTROVERSIAL 1986 US-Japanese semiconductor trade agreement may be prematurely scrapped, or drastically reshaped, as a result of pressure from US electronics and computer manufacturers.

The agreement, the subject of continuing tension between the US, Japan and the European Community since it was signed, has recently caused a major rift between US chip purchasers and producers who have previously been united in their support of the agreement.

US electronics and computer makers, which are heavily dependent upon Japanese suppliers of key memory chip components, charge that the agreement has exacerbated a serious shortage of memory chips and has contributed to a dramatic rise in memory chip prices over the past two years.

Under the accord, Japan agreed to implement a price monitoring system designed to ensure an end to alleged dumping of memory chips below cost. The US simultaneously began fixing "fair market value" prices, based on production costs, for Japanese memory chips sold in the US.

The US chip buyers want an end to government interference in the memory chip market and are seeking a major review by the Commerce Department of the trade pact. They also call for immediate consultations between the US and Japanese governments.

The buyers are confident they will receive a sympathetic hearing in Washington. They note that the State Department is already critical of the semiconductor pact and that other departments of the Administration are believed to be reviewing its economic impact.

US semiconductor producers, who were closely involved in shaping the trade pact, oppose moves to reshape it and maintain that technology and economic factors, rather than the pact, are to blame for current memory chip supply problems.

Chip producers want the five-year agreement to run its course so that they can win the benefits of Japan's promise to open its semiconductor market to foreign suppliers. To date, however, there has been little progress on this point.

The industry split is threatening to influence trade relations between the US and Japan.

At semiconductor trade talks last week in Hawaii, Japanese officials were "extremely unco-operative," according to US observers.

Chief executives representing both groups will meet in California tomorrow for an extraordinary industry "summit" in an attempt to reach a compromise.

Representation at the meeting is expected to include AT&T, Hewlett-Packard, Uni-

Continued on Page 20

IMF lifts estimates for growth in industrialised countries

THE RECENT strength of the world economy has prompted the International Monetary Fund to revise upwards its estimate of economic growth in the industrialised countries this year by a full percentage point, writes AP-Dow Jones from Paris.

The forecast comes in a draft of the fund's latest semi-annual World Economic Outlook, a copy of which was obtained in advance of its release.

The estimate for growth is now 3.8 per cent for 1988, compared with the 2.8 per cent increase projected in its April report. The rapid pace of the current expansion is expected to moderate in 1989 to 2.8 per cent, slightly up from the April estimate of 2.6 per cent.

Boosted by unexpectedly robust output and demand growth, the US economy is expected to set the pattern for the other industrialised countries with a rise of 3.9 per cent in 1988 – the strongest rise since 1984 – following last year's 3.4 per cent growth. This is expected to fall to 2.7 per cent in 1989.

But the report warns that the recent surge of export demand "has brought the US economy very close to the point at which an acceleration of inflation is a significant danger." To reduce this risk "it is essential that the growth of domestic demand in the US be curbed," preferably by cutting the fiscal deficit.

Growth in the other major industrial nations will also be buoyant this year, the IMF says. Japan's real GNP is expected to expand by 5.8 per cent in 1988, slowing to 4.2 per cent in 1989.

For West Germany, the IMF anticipates a relatively modest real growth rate of 2.3 per cent for 1988, easing to 1.8 per cent in 1989. Recent official and private forecasts in Germany appear to indicate that this is on the low side. Britain's real GNP is likely to grow by 3.2 per cent in 1988, slowing to a 2.2 per cent rate in 1989.

The IMF says that in view of the prevailing moderation in wage and price increases, it is not projecting any significant increase in inflation. It cautions, however, that there are a number of "warning signals" that cannot be ignored.

The report remarks that central banks have responded with a cautious tightening of their monetary policies. "Such a reaction is welcome in that it diminishes the risks of a more substantial and disruptive adjustment later," it observes.

For the US, the report projects that the current account deficit will narrow only marginally in 1989 to $134.7bn in 1989 from 1988's $136.8bn gap.

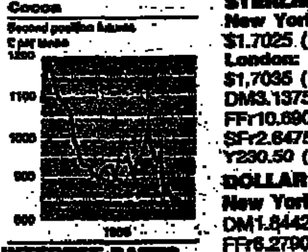
Japan's current account surplus is expected to widen to $81.8bn next year from $78.1bn in 1988. Germany's current account surplus should narrow to $38.6bn in 1989 from $42.2bn in 1988.

The report will be discussed at a meeting of the fund's executive board today. A revised version will be made public later this month.

MARKETS

Cocoa

Second position futures £ per tonne



INTEREST RATES

US Lunchtime

Federal Funds 8% ($8\frac{1}{8}$)

3-mth Treasury Bills: yield: 7.46% (7.423)

Long Bond: $100\frac{5}{8}$ ($100\frac{1}{4}$) yield: 9.06% (9.043)

London

3-month interbank: close $12\frac{1}{8}$% ($12\frac{1}{2}$)

STERLING

New York lunchtime

$1.7025 (1.685)

London:

$1.7035 (1.686)

DM3.1375 (3.1275)

FFr10.6900 (10.6475)

SFr2.6475 (2.6325)

Y230.50 (229.25)

DOLLAR

New York lunchtime

DM1.84425 (1.8525)

FFr6.2790 (6.2965)

SFr1.5545 (1.5565)

Y135.075 (135.9)

London:

DM1.8420 (1.855)

FFr6.275 (6.135)

SFr1.5535 (1.562)

Y133.3 (136.0)

GOLD

New York latest

Comex Dec

$434.85 (427.75)

STOCK INDICES

New York lunchtime

Dow Jones Ind. Av. 2,060.81 (+6.22)

S&P Comp 265.26 (+0.78)

London:

FT-SE 100 1,760.0 (+3.5)

World: 122.04 (Mon)

Tokyo

Nikkei Ave 27,320.61 (-21.07)

Frankfurt

Commerzbank 1481.8 (-5.4)

OIL

Brent 15-day (Argus) $13.425 (-0.425) (Sept)

West Tex Crude $14.375 (-0.58) (Oct)

CONTENTS

Divisions surface in Iran after PM's offer to resign

Iranian Prime Minister Mir Hussein Mousavi's resignation offer may well be a tactical move to challenge the policies of the pragmatic factions. He may well be hoping that as in 1985 Ayatollah Khomeini (left) will intervene in his favour

Page 20

Greece moves to speed progress on EC merger rules

By William Dawkins in Brussels

COMPETITION experts at the European Commission have redrafted controversial plans for an EC-wide merger control regulation in an attempt to unblock a 15-year deadlock over the scheme.

The Greek Government, currently EC president, yesterday called a meeting of member states' officials for a first discussion of the changes. These would make the proposed rules apply to fewer companies than in earlier versions and produce faster decisions from Brussels on individual mergers.

It was the first stage of a Greek diplomatic push for progress on the scheme, driven by eagerness to dispel suggestions that the internal market would take a back seat to social policy in its presidency programme.

The merger scheme – of which this is the third version this year – would give Brussels the right to vet in advance any corporate link-up with a combined turnover of Ecu 1bn (£660m) or more likely to affect EC competition. That could affect more than 200 deals annually, experts estimate. At present, EC competition rules give Brussels a say only after the event, though the Commission has used legal loopholes to intervene with increasing force at all stages of bids recently.

The main change unveiled yesterday is to cut the EC market share at which mergers must obtain EC clearance from 25 per cent to 20 per cent.

Brussels is asking for a maximum of three months in which to give the green light to mergers that do not appear to break competition rules, down from four months previously. If Brussels does not plan to open a formal inquiry into such deals, it would give a definite all-clear a month after being notified.

Under the old proposals, companies were to assume they had received clearance only if they had not heard from Brussels after two months.

The draft sets an unchanged six-month deadline for decisions on mergers which appear at the outset to break EC competition rules or need special exemption from anti-trust restrictions.

However, the changes are thought to leave undiminished the British Government's concern about possible confusion and inconsistency between Commission and national rulings on whether takeovers should be allowed or blocked on competition grounds.

Officially, the UK is the only member state blocking the plan. Employers' organisations have also voiced doubts about its practicality, though they accept the principle.

Athens has scheduled a second experts' debate on mergers today, with two next week, in an attempt to extract progress on the issue from a ministerial meeting on the EC internal market on September 29.

Rising tax receipts give France more to spend

By George Graham in Paris

THE STRONG growth of the French economy has provided a substantial boost to tax receipts and left the new Socialist Government of Mr Michel Rocard with more room than expected to increase spending.

In the first six months of the year gross tax receipts were up by 7.4 per cent from the same period of 1987 to FFr661bn (£62bn), more than twice the forecast increase in the official budget for 1988 of 3.5 per cent.

Mr Edouard Balladur, the former Finance Minister now in opposition, claimed yesterday that on the basis of receipts up to the end of July tax revenues for the whole of 1988 would be around FFr40bn over budget.

Finance ministry officials have already indicated that the surge in tax revenues, principally due to buoyant value added tax receipts and to an increase in corporation tax payments, could leave France with a central government deficit of only FFr100bn this year, compared with the FFr115bn forecast in the budget.

Mr Balladur's figures, however, could make it more difficult for the Rocard government to argue that its budget for 1989, due to be presented later this month, maintains a prudent fiscal policy, reducing the deficit and limiting the rise in government spending to less than the growth in nominal gross domestic product.

The former minister said that VAT receipts up to the end of July were already more than FFr10bn over budget, as were receipts from corporation tax. He accused the Government of financing its policies from the fruits of the reforms he had himself carried out.

Dutch Defence Minister quits over passport affair

By Laura Raun in Amsterdam

THE Anglo-Saxons have sex scandals, and in hotter countries, public servants are regularly accused of spectacular misappropriation of taxpayers' money.

In the cool, sober Netherlands, the Defence Minister, Mr Wim van Eekelen, has just resigned because he was accused of bungling the issue of a new passport. His action apparently headed off a potential government crisis.

He had been criticised during a parliamentary inquiry for taking "insufficient care" to ensure that the new Dutch passport was affordable in price and immune to fraud. The accusation referred to his performance in his former post as State Secretary for Foreign Affairs.

In an emotional but not unexpected statement to Parliament yesterday, Mr van Eekelen admitted he had failed to convince his "political friends" that he had managed the project responsibly. Most widely tipped as a successor is Mr Jakob de Hoop Scheffer, ambassador to Nato and a career diplomat.

Mr van Eekelen, 57, had served as Defence Minister for two years. A member of the Liberal party which shares power with the Christian Democrats, he has long been viewed as a rather prosaic public servant, and critics have wanted his head for some time.

The "passport affair", despite the seriousness of its implications, has taken on some aspects of a comic opera. There can be few other countries where problems over the issue of a passport would cost a minister his job.

But Mr van Eekelen's resignation over such a trivial issue reflects the political fatigue afflicting the coalition government, which has soldiered on for seven years.

Recently, Mr Ruud Lubbers, the normally resilient Prime Minister, engaged in a bitter slanging match with the parliamentary whip of the Liberal party.

Paris plans for Channel tunnel passengers

By Paul Betts in Paris

THE FRENCH state railways system SNCF is planning to spend FFr1.7bn (£160m) to modernise and adapt the Gare du Nord in Paris for the high-speed trains which will link the French capital to London through the Channel tunnel.

The SNCF said yesterday that renovation of the famous station, which for more than a century has been the Paris gateway to Britain and the rest of northern Europe, was expected to start next year. The work should be completed by 1993 when the tunnel opens.

The modernisation of the station will include extending all the platforms, a new passenger terminal and maintenance facilities, and the regrouping of all suburban rail services in one underground terminal.

The Government has already approved plans to construct a high-speed network known as the TGV Nord linking Paris to London and Brussels and eventually extending to Cologne and Amsterdam. The cost is estimated at more than FFr 18bn excluding the rolling stock.

The SNCF says high-speed trains could eventually link Paris and London in under three hours if the UK agrees to upgrade or build new railway lines between Waterloo and the British end of the tunnel.

So far, however, Britain is proposing to spend only £550m on upgrading lines and building a new passenger terminal at Waterloo. In an effort to accelerate the construction of a fast rail link on the British side of the Channel, the Eurotunnel consortium appears ready to collaborate on the project which could involve some form of private financing.

The SNCF expects more than 30m people to travel each year on high-speed rail services between Paris, London and Brussels. The initial Train à Grande Vitesse (TGV) network will link Paris to Lille where one branch will go to Calais and another to Brussels.

However, the SNCF has been facing difficulties over its proposed TGV Nord route because of vigorous local campaigning to have the line go through the city of Amiens. The Belgian railways are facing similar problems over the proposed route to Brussels.

Friend of Brezhnev 'corrupt'

FORMER Soviet Interior Minister Nikolai Shcholokov, a close friend of the late premier Leonid Brezhnev, was posthumously accused in court yesterday of taking jewels, clothing, delicacies and huge sums of money in bribes, Reuter reports from Moscow.

The Soviet Supreme Court heard the accusations on the second day of the trial of Mr Yuri Churbanov, Mr Brezhnev's son-in-law and first deputy interior minister under Mr Shcholokov.

Mr Shcholokov reportedly shot himself in December 1984, two years after he was sacked.

Tass said the indictment being read in court linked Mr Shcholokov with a former interior minister of Uzbekistan, Mr Kudrat Ergashev, and his deputy, both reported to have committed suicide in prison.

As interior minister, Mr Shcholokov commanded the entire Soviet police force from 1966-82. He was a childhood friend of Mr Brezhnev.

Mr Shcholokov was sacked by Kremlin leader Mr Yuri Andropov soon after Mr Brezhnev's death in 1982.

Like Mr Churbanov, who was first deputy interior minister from 1980-84, Mr Shcholokov's links with Mr Brezhnev make him a powerful symbol of the era of decay Mr Gorbachev wants to redress.

SURPRISE WELCOME FOR FORMATION OF DEMOCRATIC FORUM

Official praise for Hungarian opposition

By Leslie Colitt in Berlin

A GROUP of prominent Hungarian dissidents has transformed a loose opposition group, committed to reform of the Communist system, into a formal movement with statutes and a charter. To the surprise of its members, the move has been welcomed by the Budapest leadership.

The Hungarian Democratic Forum (HDF) formally constituted itself last weekend at a meeting of more than 350 delegates in the village of Lakitelek in southern Hungary, where it was founded a year ago.

In January, the Democratic Forum proposed a sweeping reform of Hungarian political life, including a new electoral law, a bill of rights, the creation of a constitutional court, and a thorough reform of Parliament.

At first the authorities largely tried to ignore the dissidents, although they were addressed by a reform-minded establishment politician, Mr Imre Pozsgay. But last April the Communist party leadership expelled four prominent members who participated in the Democratic Forum's activities.

The HDF's organisers reacted by saying the move showed that a consensus between the party and society was "impossible". But Hungary's new government spokesman, Mr Gyorgy Marosan, approved the setting-up of the Democratic Forum as a formal movement and called it a "welcome development", in an interview with Hungarian radio.

The authorities are more favourably disposed toward the Democratic Forum than they are to the seemingly more radical Network of Free Initiatives formed last May as an umbrella organisation of dissidents, environmentalists, and others in opposition. Some Budapest intellectuals suggested the authorities hoped to be able eventually to co-opt the more populist oriented Democratic Forum.

Hungarian radio noted that HDF was in favour of a multi-party system and aimed to propose candidates for national, regional and local elections. A founding member of HDF, the writer, Mr Sandor Csoori, however, said the organisation did not intend under present conditions to become a political party. Its new statutes defined it as a "political-intellectual movement and an independent social organisation."

The authorities' approval of HDF is in large part the result of the influence of Mr Pozsgay, who last May rose to become a member of the ruling politburo at a party conference which saw the forced resignation of the party leader, Mr Janos Kadar.

His successor, Mr Karoly Grosz, although a conservative by reputation, forged an alliance with Mr Pozsgay to win over Hungarian intellectuals, who were deeply suspicious of Mr Grosz's reformist credentials.

Swedes pay price of animal rights

Sara Webb, in Stockholm, on the impact of farm legislation

Swedish politicians know better than to annoy Mrs Astrid Lindgren, the children's author who penned the story of Pippi Longstocking and who once painted an unflattering picture of Sweden's Social Democrats by poking fun at the bureaucrats and absurd tax rules in a withering and widely read short story.

So when Mrs Lindgren, a farmer's daughter, started to kick up a fuss about the conditions under which farm animals are kept, the Government paid attention.

Mr Ingvar Carlsson, the Prime Minister, announced on Mrs Lindgren's birthday that a law would be passed ensuring that farm and fur animals were treated as humanely as possible.

"We suggested changes in the Animal Protection law four years ago, but it was only when Mrs Lindgren started to make a noise about this that the Government did anything," said a disgruntled member of the National Board of Agriculture.

The new law, which came into effect in July, calls primarily for the abolition of battery hen farming over the next 10 years, and states that cows, pigs and animals raised for their furs must be kept "in as natural an environment as possible."

It will mean higher costs in the short term for farmers when it comes to building larger and more comfortable pens. These costs will probably be passed on to the consumer.

Although the state subsidises milk (and meat for farmers who live in the harsh northern part of Sweden), the Agriculture Ministry says that it has no plans to subsidise the costs of more humane living conditions, although it will discuss the issue with the farmers during annual Government talks on food prices next February or March.

The state pays about SKr2bn ($313m) a year in milk subsidies to farmers, reducing the price of a litre of milk by about 25 per cent. Although milk subsidies were introduced in the 1970s to keep consumer prices down, they are gradually being whittled down.

"It was necessary to introduce this new law, and we recognised there was a lot of pressure from consumers to do so," says Mrs Madeleine Wahlstedt, first secretary at the Agriculture Ministry.

Nevertheless, critics maintain that the timetable for introducing changes should be brought much further forward and that more changes could be made to make living conditions more pleasant.

It is also recognised that drastic improvements are needed in "policing" by local authorities to make sure farmers stick to the rules – one official at the National Board of Agriculture said that only a third of Sweden's local health and environment authorities do a good job in supervising animal living conditions and that the others are in dire need of education as "their interest in animal protection is not very strong."

Agriculture officials say that the extra production costs should pay off in the end as farmers raise healthier, less-stressed animals. "It should be more profitable for them. Fur farmers will see the benefits, because they will get a better price for their pelts" says Mr Roland Zetterholm, a district vet who has worked on the new legislation.

Mink and fox fur farming in Sweden brought in revenues of SKr450m during 1986-87. Sweden produced 2m mink pelts out of a world total of 33.3m in 1986 and 70,000 fox pelts out of a world total of 5.3m. In the north of Sweden, where unemployment runs at above-average levels, some fur farmers receive state support in starting up farms, though otherwise the farmers receive no subsidies.

Although the new law states that animals should be kept in as natural an environment as possible, the regulations applying to fur farming seem weak. At present, foxes are often kept in cages 60cm by 60cm raised a metre off the ground with netting on all sides, no shelter and no limits on the number of animals per cage.

Over the next five years, fur farmers will have to change to bigger cages of at least 1m by 1m and provide boxes for shelter.

The most important change in the law concerns battery hens. At present almost all hens are kept in battery cages, but over the next ten years the Government has said these must be replaced with a more humane system.

A research project at Uppsala University is studying whether hens should be kept in large barns where they can move around freely, but where the risk of spreading infections and fighting increases. In the short term, the law calls for a reduction in the number of hens kept in a battery cage.

The new law also stipulates that cows must be kept outside during the summer and that pigs should be able to move around freely in their pens instead of being tethered.

About 85 per cent of milk cows already are kept outdoors during the summer. However, some farmers (especially those with large herds) argue that this regulation will make it very time-consuming when it comes to moving herds around every day and that they would prefer to use their land for crops rather than grazing.

Furthermore, it looks as if some farmers will receive dispensation allowing them to keep their cows indoors all year round if they live in the north where insects create special problems for the animals during the summer months.

It may, after all, take more than this to please Mrs Lindgren.

Bank offers Finnish unions base rate cut

By Olli Virtanen in Helsinki

THE BANK of Finland has said it will lower the base rate by 0.5 percentage points to 7.5 per cent from January 1 on condition that the unions abide by a "stabilisation agreement" on wages which was signed two weeks ago.

According to Mr Rolf Kullberg, the central bank governor, the unprecedented advance announcement is aimed at helping to ensure acceptance of the agreement, which was designed to curb rapidly accelerating inflation.

The rate of increase in consumer prices is expected to rise from 3.7 per cent in 1987 to 6.5 per cent by the end of this year.

The Finnish Government and the central labour organisations agreed to a package of measures which would provide a 2.5 per cent increase in real income next year through tax concessions and a nominal wage increase of 1 per cent. The two sides also agreed to call for lower interest rates.

The bank's announcement yesterday will probably be an acceptable signal for the labour markets. The announcement still comes as a surprise since the highly independent central bank traditionally refuses to speculate on its future moves.

To keep its options open, the Bank of Finland released the promise with various qualifications. It requires that labour market adopt the stabilisation agreement "in all essential aspects". This amounts to a warning that individual unions should refrain from bargaining for excessive wage increases next spring.

Mr Kullberg also said that the central bank will reserve the possibility to reverse the level of the base rate "should the imbalances of the economy worsen."

Rivalries split Spain's conservatives

By Tom Burns in Madrid

PREPARING FOR THEIR party congress yesterday, Spain's Alianza Popular conservatives looked the picture of disunity as key party stalwarts pointedly ignored leader Mr Antonio Hernandez Mancha's summons to bury personal rivalries and to present a united front to the governing Socialists.

The absenteeism at a top level policy planning meeting brought inner-party bickering into an embarrassingly public limelight and highlighted the very divisions within the Alianza leadership which Mr Hernandez Mancha had wished to at least paper over.

Mr Jose Maria Aznar, an ambitious young lawyer who has established a solid political base in northern Castile where he is the chief minister of the regional government, said he was too busy touring the area's outlying villages to attend the discussions at the party's headquarters in Madrid.

Another notable non-attender, the highly respected parliamentarian Mr Miguel Herrero who is Alianza's chief foreign policy spokesman, delivered an even greater snub by failing to give an excuse for not turning up.

The purpose of the meeting was to agree the main policy motions due to be presented at the party congress in January, the last one the conservative party will, in all probability, hold before the general election.

Mr Hernandez Mancha had hoped that Mr Aznar would open the debate on regional policy and that Mr Herrero would steer through the motion on foreign policy.

The snubs pointed towards a very different debate in the coming months – whether Mr Hernandez Mancha, who took over from Alianza's founder, Mr Manuel Fraga, two years ago, will continue to lead the party for very much longer. One conservative politician who appears to be waiting in the wings is Mr Abel Matutes, a member of the European Commission.

Mr Matutes, who has spoken often recently about the need to restore party unity and to create a strong leadership, did turn up to the meeting and agreed to draw up the party's economic policy motion.

Hesse state 'in talks to buy US airbase'

By Haig Simonian in Frankfurt

THE QUESTION of West Germany's overcrowded airspace took concrete form this week after reports of talks between the Hesse state government and the US military over a possible purchase of the US Rhine Main airbase adjacent to Frankfurt airport.

The airport, which is the biggest in West Germany and second only to London's Heathrow in Europe, has ambitious expansion plans for the 1990s and beyond. However, space is severely limited.

Developing the "Startbahn West", the West runway, in the late 1970s became a cause celebre for conservationists. Protests continued until as recently as last November, when two policeman were killed in a clash with demonstrators.

The Hesse government, which owns the airport, has denied reports that it has been negotiating to buy the US facility for DM231m (£74m). The sale rumour is "without any basis", according to Mr Walter Wallmann, the state's prime minister.

A full-scale sale seems almost inconceivable from the US point of view, as the base acts as a key transport centre for the US military around the world. However, reports have said the US facility would be transfered to Ramstein.

More likely is that general discussions have been held about greater civilian use of the facility in order to reduce congestion at the airport. Mr Gottfried Milde, the Hesse interior minister, confirmed that there had been discussions between the two sides.

One possibility is for a reorganisation of the US facility in order to release more space and runway capacity for commercial use at the airport. According to Mr Alfred Schmidt, the Hesse transport minister, discussions have taken place on allowing civilian use of some 20 per cent of the US base.

Byelorussians turn out for Polish Primate

By Christopher Bobinski in Warsaw

THOUSANDS OF people in the western Soviet city of Grodno are reported to have greeted Cardinal Josef Glemp, head of the Polish Catholic church, on Monday at the start of an unprecedented three-day pastoral visit to the Soviet republic of Byelorussia.

Slawo Powszecne, a Polish Catholic newspaper, reported that groups of people knelt by the roadside as the cardinal drove the 20km from the Polish-Soviet border to Grodno, where more than 15,000 people attended a service.

In the city itself, it reported that people lined the streets to see the cardinal. The Russian Orthodox Metropolitan Filaret of Minsk is acting as host to Cardinal Glemp who also prayed in an Orthodox church to underline the ecumenical character of his visit.

Pope John Paul has made no secret of his desire to visit the area and the popular response to Cardinal Glemp provides a foretaste of what a papal visit would involve for the Soviet authorities.

Greek baby food protest

GREEK manufacturers of baby foods are protesting to the European Commission following a government decision to ban the sale of infant milk by supermarkets in favour of exclusive distribution by pharmacies, writes Andriana Ierodiaconou in Athens.

The Association of Infant Food Enterprises of Greece says the move violates the principle of free movement of goods within the EC by making distribution more expensive and difficult.

The association says Greek infant milk bills would rise by at least 15 per cent as pharmacies seek to ensure adequate profit margins. Low margins could discourage pharmacies from carrying infant milk, generating shortages, it adds.

Burnt-out heart of Lisbon teaches brutal lesson of neglect

Diana Smith reports on the painful aftermath of the fire that destroyed the historic centre of Portugal's capital

TO the Portuguese, *Chiado* conjured up the same luxurious image as old Bond Street did to the British.

It meant hilly narrow streets and fine shops, some of which dated back to the 17th century, the fragrance of real leather, a rustle of silk or taffeta as a draper spread fabrics over a counter for a customer, slightly fusty old cafes beloved by writers and artists, young blades or old roués, where a sense of sharing a table with the ghosts of Portugal's cultural past meant more than bitter coffee.

Even the arrival of noisy, trendy boutiques did not detract from the area's quirky charm.

But on August 25 the old shops that epitomised the *Chiado*'s history vanished in a sheet of flame.

With them went family businesses, the homes of 300 people and the livelihood of 2,000.

A fire whose initial cause is still not clear spread from the third floor of Grandella, a large department store, to its neighbours. It raged over six streets, destroying 17 buildings and 50 businesses before 1,000 exhausted firemen could halt it.

Losses are variously assessed at Es40bn (£165m) and Es70bn. Little more than Es4bn will be paid out by insurance companies to woefully-underinsured establishments.

The fire has prodded Portuguese businesses to take out proper insurance: insurance companies report a flood of urgent requests for coverage.

Burned-out, rubble-flanked façades are a visible reproach for the neglect – establishments' failure to comply with fire laws and the authorities' failure to chase up non-compliers – that led to such devastation.

European Diary

Portugal

The *Chiado*'s old wood and stucco buildings crammed with inflammable materials (including illegal fuel stores) were firetraps (but not the only unprotected establishments in the country: the Federation of Shop Employees' Unions now reports that, of tens of thousands of shops and stores, a mere 100 have asked for fire department inspection of tighter fire safety now demanded by law, and precisely 25 have applied for fire safety certificates).

The dust has not yet settled from the tornado of recrimination howling around Lisbon. The Shopkeepers' Association put it in a nutshell: "We are all guilty of neglect

In the wake of a tornado of mutual recrimination comes a healthier struggle to rebuild the *Chiado* and restart shattered businesses.

The drive to reconstruct and rehabilitate has been fuelled by an outpouring of solidarity, cash and pledges of aid from institutions and individuals.

From the Council of Europe, Unesco, the EC Commission in Brussels and the European Investment Bank in Luxembourg have come funds or offers of funds totalling over $5m so far. The Anibal Cavaco Silva government has opened emergency credit lines to help businesses get restarted and has assisted with temporary premises and rehousing until *Chiado* shops are rebuilt and permanent lodgings found for the homeless.

Local businesses and banks have pumped money into a special fire relief account opened by the Lisbon Municipality at the Caixa Geral de Depositos, the national savings bank, and television and press appeals have been made. About $500,000 in personal and business contributions was deposited in the first three days.

The fire welded officialdom and the public with a rare sense of a brutal lesson, deeply damaging to national pride, painfully learned.

Fears that the *Chiado* could fall into the hands of wildcat developers have added a cutting edge to emergency debates on the future look of the area, between the central government, architects' associations, the Institute of National Heritage and the municipality, whose feisty mayor, Mr Nuno Abecassis, often comes in for virulent public criticism for allowing architecturally-interesting or historic buildings to be torn down and replaced by bleak office blocks or garish shopping centres.

The majority wants the *Chiado*'s old appearance to be recreated with safer buildings and careful control of architectural quality. Architects are pushing for a coherent master *Chiado* plan.

The fire has at least made the public and officials take stock of a city that, in the last decade, has become rather like an unkempt, unbalanced old woman suffering from sores and bad circulation – a deafeningly noisy place choked by anarchic traffic and parking, houses collapsing from neglect every week or so, dirty streets and pollution-infested air, pavements and roads pitted with holes, a once-scrubbed capital city that had begun to look as if no one loved it any more.

The *Chiado* fire reminded people how much they had taken their old city for granted and how little energy they had exerted in its defence.

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OVERSEAS NEWS

Ne Win's 'blood comrades' turn against him

LEGENDARY military heroes of Burma's independence struggle, linked to General Ne Win, the former president, by a 47-year-old blood oath, yesterday publicly abandoned him to side with an uprising against the system he created, Reuter writes from Rangoon.

Bo Ye Htut and eight other survivors of the "30 Comrades" who founded the Burmese army and wrested independence from Britain called on soldiers to back the uprising, which is demanding the resignation of the socialist government and the founding of a multi-party democracy.

"This must shock Ne Win because they abandoned him right then and there," said Win Htain, an aide to General Tin Oo, an opposition leader who joined the ageing veterans at a rally of 3,000 people at a Buddhist pagoda in Rangoon.

Gen Ne Win and the 30 Comrades were led by Aung San, venerated hero of resistance against British colonial rule.

Military loyalty, focused on Gen Ne Win, has been crucial to the survival of the ruling Burma Socialist Programme Party, which took power in Burma after a 1962 coup. But opposition leaders and Western diplomats said yesterday the army was clearly wavering.

Win Htain said he knew 17 officers from the 77th Light Infantry Division who had deserted, and added hundreds more would "join the people's side" once they were sure their families would not suffer.

Gen Ne Win, who gave up the chairmanship of the ruling party in July after months of bloody protest, is widely believed to continue to be the real boss of the party.

The repudiation of the system Gen Ne Win built, "The Burmese Road to Socialism", came from comrades in arms who drank blood with him in late 1941 to seal an oath to "Always Unite, Whatever the Cause".

"This is very significant in determining military support," Win Htain said. Bo Ye Htut told the rally: "Aung San founded the army to support the people, not a single party."

Baghdad amnesty offer to Iraqi Kurds

BAGHDAD, whose troops have conducted a six-week drive against Kurdish rebels, offered a full amnesty yesterday to all Iraqi Kurds inside and outside the country, Reuter reports from Baghdad.

The ruling Revolutionary Command Council, in a decree read over Baghdad television, called on all Iraqi Kurds to return to the country within 30 days.

The decree said the Government would release all detainees or imprisoned Kurds except those arrested for non-political reasons.

It specifically excluded from the amnesty Mr Jalal Talabani, head of the Patriotic Union of Kurdistan, who met President Hafez al-Assad of Syria on Monday.

It said that Mr Talabani was excluded from the amnesty, not for treason or for being an agent, but because he had betrayed previous agreements with the government.

Iraq launched a major offensive against rebel Kurds in the north on July 19, the day after its Gulf War enemy Iran accepted a United Nations ceasefire resolution.

About 100,000 Kurdish guerrillas and civilians have fled across the border into southeast Turkey.

"The Revolutionary Command Council has decided a general and comprehensive amnesty for all Iraqi Kurds. . . for any act punishable by the law which occurred before the date of this decree," the ruling said.

Under the amnesty, those working or studying abroad who return under the amnesty would be able to leave again.

The decree made no mention of other rebel leaders such as Mr Masoud Barzani, head of the Kurdish Democratic Party. Political sources said the fact that Talabani was the only leader named indicated Mr Barzani would be included in the amnesty.

● More Kurds fleeing might seek refuge in Turkey, Mr Mesut Yilmaz, Turkey's Foreign Minister said yesterday.

He also revised downwards to 56,377 from 62,937 the number of Kurds who had fled since the Iraqi attack started in July.

Tamil refugees find an ambivalent West

Mervyn Da Silva, in Colombo, on varying attitudes to claims of persecution

THE 60,000-strong Indian peace-keeping force in north Sri Lanka adequately protects the island's minority Tamil population. So held a court in Koblenz, West Germany, which turned down an application for asylum by two Sri Lankan Tamil refugees who had argued that they would be victims of persecution and racial discrimination if they were forced to return home.

Another 1,500 Tamil refugees, who were to have been repatriated from Switzerland, have won a reprieve until 1989: at least a six-month reprieve.

The decision to review the issue early next year follows the visit to Sri Lanka of two senior officials of the Swiss Justice Ministry. They toured Jaffna, the northern capital, and spent several days in the eastern province, including Trincomalee, the port town.

Trincomalee is a sensitive area because it has a mixture of Tamils, Sinhalese and Moslems. A Swiss official told me that "conditions were not, repeat not, sufficiently stable" to recommend the proposed repatriation of an initial batch of 1,500. There are just over 5,000 Tamil refugees in Switzerland today.

A member of the visiting Swiss team said that, besides speaking to government officials, military personnel (both Indian and Sri Lankan) and Tamil citizens committees, they had also consulted the UNHCR (United Nations High Commission for Refugees) mission in Colombo. It was impressed on them that resettlement and rehabilitation of refugees would be much easier when the World Bank-sponsored programme for reconstruction of the war-ravaged north and east got under way.

Tamil exodus after the riots of July 1983 changed Sri Lankan history and created problems for European countries. West Germany was the most affected.

In December, a special meeting of Sri Lanka's donors, who usually meet each April in Paris, was convened by the World Bank. The donors pledged $472m, $100m more than Sri Lanka had expected. Sri Lanka was able to convince the donors that the administrative back-up facilities for such a programme was ready. Two investigative teams sent by the World Bank and the Asian Development Bank (ADB) stressed the need for sufficient infrastructural support, and identified priorities.

A move by the West German authorities to send back 5,000 refugees has also been stalled but for different reasons. West Germany has about 27,000 Tamil refugees spread throughout the country. It is the largest Tamil refugee group in Europe. The federal authorities had persuaded several thousand (reportedly between 4,500 and 5,000) to accept a free air ticket and a modest $200 each and return home.

The plan ran into legal problems arising from West Germany's constitution which places the subject within the jurisdiction of each state. Every state has the right to have its say. "The possibility of a decision this year is quite slim," said the embassy.

The Tamil refugee problem became an international sensation with the Tamils earning the title of "the new boat people" when a Hamburg ship's captain dumped 210 asylum-seekers into the sea off the Newfoundland coast.

Despite angry Canadian protests to Bonn over the action of a German firm that had charged each asylum-seeker about $1,000, the Canadian authorities did not deport them.

Under pressure from church, human rights groups and the media, the Government granted them sanctuary. The campaign was in fact led by expatriate Tamils who had moved to Canada in the 1950s and 1960s – part of the "third world brain drain." These Tamil professionals, as I discovered on a visit to Toronto, Montreal and Ottawa, had established themselves so well in their respective communities that they had influential contacts in opinion-making circles.

The Tamil exodus after the riots of July 1983 changed Sri Lankan history and created many problems for European countries, with West Germany the most seriously affected. About 125,000 Tamils from the north fled by ferry to neighbouring Tamil Nadu, the home of 55m Tamils in south India.

Some fled across the narrow Palk Straits that separate India and Sri Lanka. Others who could find the money or buy forged Sri Lankan travel documents (generating a small industry in Colombo, Madras and Singapore) opted for more promising, if hazardous, journeys to Western Europe, North America or Australia. Many of them would first establish contacts with organised "rings" already operating in the west.

The Berlin route was the most popular, until the East German Government responded to a desperate appeal by the West Berlin and Bonn authorities.

Once Aeroflot or Balkan Airways took him to a destination in Eastern Europe, the refugee would make his way to East Berlin. A "friend" from West Berlin would then come across to East Berlin and escort the refugee by train to transit lodgings in West Berlin and thence to some other part of West Germany, probably Hamburg, Munich or Cologne.

Likud in narrow lead as election campaign starts

By Andrew Whitley in Jerusalem

THE CAMPAIGN for this November's general election in Israel – one of the most crucial in the country's history – began in earnest this week, with the right-wing bloc headed by Prime Minister Yitzhak Shamir's Likud Party holding a narrow lead in opinion polls.

Unlike previous elections, usually forced over relatively minor domestic issues, at the heart of this campaign are the twin issues of peace and security. The nine-month-long Palestinian *intifada* (uprising) has seen to that.

Kicking off Labour's campaign at a big rally in Tel Aviv on Monday night, Foreign Minister Shimon Peres, the party's leader, vowed that a Labour-led government would make a resolution of the Palestinian question its first priority. He said Labour would be prepared to withdraw from the Gaza Strip and part of the West Bank – but not from annexed East Jerusalem.

Labour, however, has a lot of ground to make up in terms of convincing public opinion of the credibility, and viability, of its foreign policy on the Arab/Israel dispute. Its central plank – the so-called "Jordanian option" – was rudely kicked away by King Hussein when he recently announced Jordan's disengagement from its former territories.

So closely matched are the political blocs in the 120-member Knesset that the switch of two or three seats will decide who becomes Prime Minister. Both the leading parties – locked together for the past four years in an unhappy grand coalition government – have thus set out to woo the floating voter.

Editorial Comment, Page 20

Indian newspapers strike against tough press law

By David Housego in New Delhi

NEWSPAPERS were closed across India yesterday in what was seen as an exceptional display of unity by India's press against proposed legislation that would restrict investigative reporting.

Even the conservative and normally pro-government Times of India and Hindustan Times joined the one-day strike which demonstrated the growing isolation of Prime Minister Rajiv Gandhi's administration. The Times of India said in an editorial yesterday it was "highly unlikely that President Venkataraman would have given assent to such a draconian measure" – although other observers doubted this view.

The National Herald is one of the few papers which plan to bring out an edition this morning. Mr A.N. Dar, its editor, said yesterday: "We don't think there is a need for a strike after the Prime Minister set up a ministerial committee" to revise the bill.

On Sunday Mr Gandhi announced that the Government would delay presenting the bill to the Upper House of Parliament and would set up a ministerial committee that would consult with journalists' organisations on amendments.

Mr Gandhi's attempt to take the heat out of the unexpected wave of protest has by no means ended his problems because newspapers are believed to have further documents on alleged payoffs to people close to the Prime Minister which they are preparing to disclose.

The last important allegations were made by the Statesman and involved claims of commission payments by a Japanese group to a business friend of an official in the Prime Minister's personal secretariat.

Mr Girilal Jain, the editor of the Times of India and a long time supporter of the governments of Mr Gandhi and his mother, Mrs Indira Gandhi, wrote yesterday that the Prime Minister "would have to sacrifice those who have led him into the present mess." There is still no sign that Mr Gandhi is prepared to do this.

What has appalled businessmen with a strong stake in the survival of Mr Gandhi's administration is the ham-fistedness with which the bill was drawn up and pushed through Parliament – as manifested by the outcry it stirred.

One prominent businessman drew attention to the slogans being shouted in Monday's protest march by journalists in Delhi as showing his diminishing authority.

In deciding to move so rapidly with such a such a stiff measure, Mr Gandhi seems to have ignored, or not consulted, his professional press advisers such as Mr Gopi Arora, the government spokesman, and Mr Suman Dubey, responsible for press affairs in his own office.

Among those believed to have encouraged Mr Gandhi towards tougher legislation include Mr Shiv Shankar, Minister for Human Resources Development and Mr P. Chidambaran, Minister of State for Home Affairs.

Mr C.R. Irani, managing editor of the Statesman, yesterday called the Prime Minister's approach to the bill "crude and vulgar" beside the political skill his mother might have displayed.

Some journalists believe the Government will try to push ahead with a watered down version of the bill that would make it much riskier for newspapers to publish the type of corruption scandals that have been damaging the Government's popularity.

Others believe that under the cloak of the ministerial committee the government will be forced to quietly let it drop.

Food scarce in Bangladesh capital

THOUSANDS of people in Dhaka scrambled for meagre supplies of fresh food and water yesterday as a rapidly spreading diarrhoea epidemic pushed the official death toll in the Bangladesh monsoon floods to 650, Reuter writes from Dhaka. Officials said about 102,000 people were now ill after drinking contaminated water or eating rotten food, 30,000 of them in the capital and its suburbs.

In the capital, men, women and children queued up at distribution centres in waist-deep floodwater long before officials and volunteers arrived with sacks of rice and containers of drinking water. But many went away empty-handed as supplies soon ran out, witnesses said.

Officials say people in country areas are facing far worse conditions. They say at least 25m of Bangladesh's 110m people have lost their homes.

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GUARDIAN ROYAL EXCHANGE

One step ahead, then another

AMERICAN NEWS

Congress agenda may shape White House campaign

By Stewart Fleming in Washington

CONGRESS reconvenes today to grapple with a legislative agenda which both parties will seek to turn to their advantage in the run-up to the US general elections in November.

Political analysts in Washington doubt whether the debates on Capitol Hill will have a decisive influence on the presidential election however.

Mr James Reichly of the Brookings Institution maintains, for example, that although there appears to be somewhat greater co-ordination between Democrats on Capitol Hill this year and the presidential election campaign staff of Governor Michael Dukakis, the Democratic candidate, members of Congress are as usual most concerned about their own re-election.

So far, Mr Reichly says, there has been no sign of members of Congress distancing themselves from their party's presidential candidate as happened in 1984 with the Democrat Mr Walter Mondale. But he suggests this could begin to happen, particularly in the South, if Mr Dukakis's fortunes continue to slide.

The Democrats, who control both the House and the Senate, are expected to focus attention on issues which may help to shape the political debate between the two presidential candidates. Mr Norman Ornstein, a political analyst at the American Enterprise Institute, suggests that Congressional proposals for federal funding of child care, something both presidential candidates are pressing, will be one such issue.

But he doubts that the debate on Capitol Hill will have a decisive impact on the election. Rather, he expects the Congressional debate to have a transitory effect on what is happening on the campaign trail, not least because the Congressional session will end several weeks before the November election, perhaps by October 1, so that members can do their own campaigning.

Child care is only one issue where an echo of the debate on Capitol Hill will be heard in the campaign. Democrats in Congress will also seek to make political capital out of proposals to increase the minimum legal wage from \$3.35 an hour to \$5.05 over the next four years – priority legislation for organised labour, one of the Democrats' core constituencies.

Senator Edward Kennedy: backing minimum legal wage

Legislation was approved earlier this year by the Senate Labour and Human Resources committee, headed by Senator Edward Kennedy of Massachussetts. A welfare reform bill is also moving towards passage, with Democrats hoping that they will be able to tailor it to reflect their political priorities.

Vice-President George Bush's campaign staff hope that the debate about the defence budget will work to their advantage. President Reagan's decision to veto the defence authorisation bill last month, and so, in the eyes of many on Capitol Hill, turn what had been a bi-partisan defence budget into a political football, was seen as designed in part to boost both Mr Bush's and the Republican Party's election prospects.

Mr Bush is attacking Mr Dukakis for "lack of experience" in foreign affairs and defence issues.

Television time given to Pinochet's opponents

By Mary Helen Spooner in Santiago

FOR THE first time in 15 years of military government, Chilean television has begun giving air time to opponents of Gen Augusto Pinochet's regime.

A multi-partisan coalition calling for a "no" vote against Gen Pinochet in the October 5 presidential plebiscite was given 15 minutes to present its case on late night television, followed by a similar broadcast prepared by government supporters.

Both segments relied heavily on jingles and slick Madison Avenue-style images of families and working people coming together in a common cause. The opposition broadcast, chaired by a former Chilean television presenter who five years ago was forced from his job for political reasons, also included film footage of the country's military commanders arriving at the Defence Ministry last week for the meeting in which Gen Pinochet was nominated.

The pro-Government programme included scenes from the socialist government of President Salvador Allende and contrasted the disorderly black and white pictures with images of economic progress.

Santiago's military governor-general Sergio Badiola said the authorities were considering prohibiting future political rallies within the capital.

US demand pressures slackening

By Anthony Harris in Washington

MEMBER-banks of the Federal Reserve confirm that demand pressures in the US economy are tending to slacken, especially in retailing and the housebuilding industry, and suggest that wage pressures are largely being contained. However, they see continued cost pressures in materials and components.

Reports from the member-banks, assembled in what is officially called the Beige Book, but generally known in the markets as the Tan Book, are compiled as part of the briefing for the Federal Open Market Committee, whose next neeting is scheduled for September 20. The forecasts of the Fed's own economists, contained in the Blue Book, are not published.

The reports show wide differences between the regions not only in economic conditions but in the impact of the drought. Recent rain has brought some real relief to the plains states and the south-east, according to member-banks there. But in the eastern stretch of the prairies, stretching from Illinois to Missouri, July and August brought further crop losses.

Most significantly for inflation, the Kansas City Federal Reserve reports that the slaughter of cattle due to feed shortage has been less than expected; this was widely expected to cause meat shortages next year and for some years afterwards.

Consumer spending is reported as "sluggish"

Alfonsin moves to reassert his authority

By Gary Mead in Buenos Aires

PRESIDENT Raul Alfonsin of Argentina has issued a strongly-worded statement reasserting his position as head of the armed forces, after attempts by two officers to challenge their suspension from duty by using civilian court hearings.

Seventeen army officers have recently been relieved of their duties by Gen Jose Dante Caridi, the army Chief of Staff, allegedly for involvement in the group associated with cashiered Col Aldo Rico, now in prison awaiting trial for his part in rebellions at Easter last year and in January this year.

Five of those officers have since returned to duty after being cleared of the allegations. However, two have taken the unusual step of seeking reinstatement through civilian courts.

Last week, after two separate court hearings, civil judges ordered Gen Caridi to give his reasons for suspending from duty Lt Col Hector di Pasquale, and told him to permit Major Osvaldo Vercelotti to continue his studies at Argentina's War College. Despite the ruling, Major Vercelotti was not allowed to enter the college last week.

President Alfonsin described the court's decision in the case of Major Vercelotti as "undermining the indispensable discipline which is the essential principle of any armed organisation" and he asked for the decision to be revoked.

Peru waits for austerity to bite

Veronica Baruffati reports on the urgency of Peru's economic needs

IT is usually in the middle of Lima's long, grey winter that sun-loving Limenos begin to run out of patience and energy and look ahead to a brighter, warmer summer.

But this year, with inflation already at 181.1 per cent, gross domestic product growth down 3 per cent in June compared with last year, and net international reserves a negative \$260m, apprehension and expectation surround the Government's package of economic measures, soon to be announced.

Prime Minister Armando Villanueva has described the new measures as a "severe austerity plan" which would begin by making drastic reductions in the republic's general budget expenses (lowering representation costs abroad, restricting the use of official vehicles, reducing the number of official visits abroad and controlling the use of air force aircraft by parliamentarians). It would also raise petrol prices (a gallon of petrol costs 33 cents of a dollar in Lima today), reduce the number of dollar exchange rates (at present there are 11) and end subsidies to certain products.

Mr Alejandro Toledo, an independent Stanford-trained economist, has called for Peruvians to come together, regardless of their political differences and "put our shoulders to the wheel." He called for an extension of the tax system and the introduction of penalties for tax evasion, which is more the norm than the exception in Peru.

MR Abel Salinas, the Peruvian Minister of Economy and Finance, is expected to announce the Government's new economic plan this evening.

The gradualist economic policy favoured by Mr Cesar Robles, the former Finance Minister, is to be superseded by shock treatment and Plan Zero, in what President Alan Garcia describes as his war against inflation – "cost what it may".

In an attempt to achieve zero inflation and stability in a country where inflation this year is already running at 243 per cent and the foreign debt is \$16.5bn, the initial assault is expected to include unifying exchange rates, adjusting controlled prices, and renewing contacts with the international financial community.

Petrol prices will increase 200 per cent and grocery costs are expected to rise by 70 per cent. The Government has discussed distributing food bonds to the poor in an attempt to reduce the social impact of the measures.

Meanwhile, queues have formed in Lima where hoarding and speculation have caused basic foodstuffs to disappear from the shelves. Garages have run out of petrol.

There is a feeling of tense calm as the country waits for the new measures which are expected to bring a wave of strikes in their wake.

Last Thursday in a Cabinet reshuffle, Mr Cesar Robles Freyre, Minister of Economy and Finance, resigned after refusing to announce the Government's new economic measures, expected to provide a shock to the economy. He was replaced by Mr Abel Salinas, Minister of Energy and Mines,

Mr Robles' gradualist economic policy had met with a lot of criticism from both the private sector and the left, neither of whom are happy with the uncontrollable spiral of the inflationary process. He had already admitted publicly that inflation this year could reach 500 per cent.

There is increasing feeling that President Alan Garcia is unwilling to take drastic unpopular measures, regardless of the long-term effects for the country's economy, in order to leave office in 1990 as untarnished as possible.

Mr Ricardo Vega Llona, a leading industrialist, describes the present economic situation in Peru as "ungovernable": inflation is rampant, there are no supplies, the dollar's oscillations are often unrelated to inflation. Peru has disconnected itself from the world of international funding, and exports are lower now than they were 10 years ago.

One of the main obstacles to working effectively in Peru is the labyrinthine red tape which strangles even the most basic transaction. An example of the excruciatingly slow pace of negotiations in Peru is the \$1.3bn project which Petroperu, the state oil company, and Shell have been trying to sign for months in order to develop a gas project in Camisea, near Cuzco.

Mr Salinas, the former Minister of Energy and Mines, and Mr Jaysuno Abromovich, the president of Petroperu, defended the development project at a press conference last month amid political in-fighting to postpone the August 31 deadline for the contract signing in order to allow more time for discussion. It was the Peruvians who set the dealine.

In a country where 70 per cent of the labour force still works in the informal sector, the Government is losing out on a huge potential, who, repelled by the nightmare of bureaucratic paperwork, could make great contributions towards pulling Peru out of its sagging economy.

Miners plan three-day strike

By Veronica Baruffati in Lima

THE National Federation of Miners, Metallurgical and Steel Workers in Peru have announced a 72-hour strike due to start next Monday.

The decision was made last week in Lima at the federation's tenth national plenary session which was attended by 256 delegates from 103 mining unions. The strike has three main objectives:

- To demand that the Government fulfil its obligation to set up a top-level committee to discuss the miners' demands resulting from their 30-day general strike which ended on August 16 and which cost the country \$140m.
- To demand reinstatement of the Tintaya silver and copper miners dismissed after the last strike.
- To demand a solution to the miners's strike in Raura, now into its 50th day.

Mr Jose Carlos Carrasco Tavara, the new Minister of Energy and Mines, said: "We would like to discuss [the strike] with the miners because we cannot afford to paralyse the mining industry which generates foreign currency for this country."

The federation said the strike would go ahead if no solution had been reached by Sunday.

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To the Holders of

U.S. \$2,500,000,000

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NOTICE IS HEREBY GIVEN that, pursuant to the terms and conditions (the "Conditions") of the above-described Notes (the "Notes"), the Lords Commissioners of Her Majesty's Treasury on behalf of the Government of the United Kingdom of Great Britain and Northern Ireland have elected to and will redeem on 7th October, 1988 (the "Redemption Date") all outstanding Notes at the redemption price of 100% of the principal amount thereof. Interest due on the Notes on 7th October, 1988 will be paid in the usual manner.

Bearer Notes will be redeemed upon presentation and surrender with all Coupons appertaining thereto maturing after (but not on) the Redemption Date, at the option of the holder, either (a) at the Corporate Trust Office of Morgan Guaranty Trust Company of New York, 30 West Broadway, New York, New York, 10015 or (b) at the main offices of Morgan Guaranty Trust Company of New York in London and Brussels, Swiss Bank Corporation in Basle or Kredietbank S.A. Luxembourgeoise in Luxembourg. Coupons due on 7th October, 1988 should be detached from the Bearer Notes and surrendered for payment at any of the offices specified above other than the paying agent in the United States in accordance with the Conditions.

Registered Notes will be redeemed upon presentation and surrender thereof, at the option of the holder, either (a) at the Corporate Trust Office of Morgan Guaranty Trust Company of New York specified above or (b) at the main offices of Morgan Guaranty Trust Company of New York in London and Brussels. Interest due on 7th October, 1988 on the Registered Notes will be paid in accordance with the Conditions.

On and after 7th October, 1988 interest will cease to accrue on the Notes and unmatured Coupons shall become void.

The Notes (whether in bearer or registered form) and all matured Coupons will become void unless presented for payment within periods of 12 years and six years, respectively, from the due date for payment thereof.

By order of:

THE LORDS COMMISSIONERS OF HER MAJESTY'S TREASURY

Dated: 7th September, 1988

Any payment made within the United States or by transfer to an account maintained by a non-U.S. payee with a bank in the United States may be subject to reporting to the United States Internal Revenue Service ("IRS") and to backup withholding at a rate of 20% if a payee not recognized as an exempt recipient fails to provide the paying agent with an executed IRS Form W-8, certifying under penalties of perjury that the payee is not a United States person. A payment made within the United States to a non-exempt U.S. payee is reportable to the IRS and that U.S. payee is required to provide to the paying agent an executed IRS Form W-9, certifying under penalties of perjury, the payee's taxpayer identification number (employer identification number or social security number, as appropriate) to avoid 20% withholding of the payment. Failure to provide a correct taxpayer identification number may also subject a U.S. payee to a penalty of \$50.

WORLD TRADE NEWS

NEI wins £75m power contract from Iraq

By Maurice Samuelson

BRITAIN'S Northern Engineering Industries yesterday won the first large international order placed by Iraq since the ceasefire in the Gulf.

Under a £75m contract signed in Baghdad, the company's Parsons division will supply four 350MW turbine generators for a new oil-fired power station to be built at Al-Shemal, 250 miles north of the Iraqi capital.

The plant is on a new site and does not involve replacement of plant lost in the fighting with Iran.

The order, for which US and Japanese companies also tendered, includes control systems to be supplied by NEI's electrical division. It was signed in anticipation of a continuation of UK-Iraqi credit lines.

It is NEI Parsons' biggest order from Iraq for four years. The last was for four 320MW turbine generators at the Al-Mussaib power station, commissioned recently.

The generators are very similar to those ordered earlier this year by the Hong Kong Electric Company for the power station on Lanna Island.

Dr Bob Hawley, managing director of NEI Power Engineering, said that the order "further highlights NEI Parsons' determination to seize opportunities that exist in the world-wide market."

In the UK, NEI Parsons recently lost to GEC the orders for turbine generators at the proposed new 1800MW power stations at Fawley, near Southampton, Kingsnorth in Kent, and West Burton, Notts.

However, NEI, in competition with FKI Babcock, won the boiler contract at Fawley and is hoping to win those at Kingsnorth and West Burton, due to be placed in the next few weeks.

Ericsson wins $230m Mexican contract

By Sara Webb in Stockholm

ERICSSON, the Swedish telecommunications group, has won a contract worth over $230m from Telefonos de Mexico, the Mexican communications authority, covering both digital and analogue switching systems as well as transmission, power and cooling equipment.

This is the second major contract Ericsson has won from the Mexican PTT so far this year in line with the country's programme to expand and modernise its public telephone network.

The Swedish group won a $171m order in February for exchanges and transmission equipment and now claims to have at least a 60 per cent share of the Mexican switching market.

As part of the latest order, Ericsson has agreed to supply new AXE digital local and transit exchanges for Mexico City and other areas in 1990.

It will also provide extensions for the existing digital exchanges, as well as analogue switching equipment for use in the extension of local crossbar exchanges, since much of the telecommunications infrastructure in Mexico is based on analogue equipment.

Victory rings hollow for US chip makers

Louise Kehoe reports on the shortcomings of a much-vaunted trade pact with Japan

ON September 1 1986 US chip makers celebrated. With the official signing of the US-Japanese Semiconductor Trade Agreement on that date, the American industry's leaders believed that they had finally won an opportunity to battle fairly on an "even playing field" with Japanese competitors.

Two years later, their victory rings hollow. The battle for full implementation of the promises of the trade pact continues and the agreement is being severely criticised by factions within the US electronics industry, US government and foreign electronics industries that represent some of the US chip makers' most important customers.

The pact was supposed to protect US chipmakers from Japanese "dumping" (selling at less than production cost) of memory chips and to pressure Japan to open its markets wider to foreign chip suppliers.

A system of minimum fair market value prices, based on production costs, was instituted by the US Commerce Department, while the Japanese Ministry of International Trade and Industry (Miti) was charged with monitoring all memory chip export prices to ensure that dumping did not continue in third country markets.

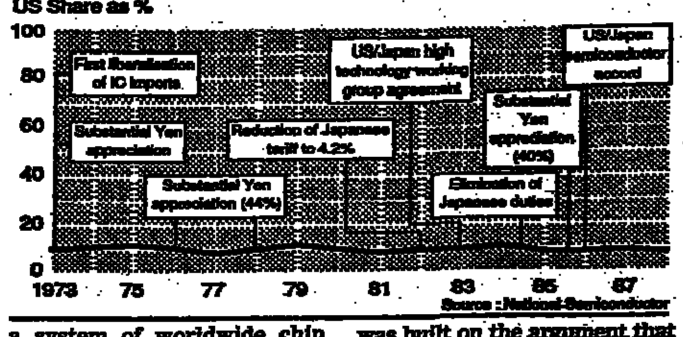
Most importantly, from the point of view of US chipmakers, the Japanese promised to increase purchases of foreign-made chips.

The apparent failure of the trade pact so far to produce any tangible benefits for US industry is fuelling criticism of the long controversial agreement.

- Trade sanctions, imposed last year by President Reagan in retaliation for alleged Japanese failure to comply with the agreement, remain in place but appear to have had little impact.
- Although Japanese dumping of memory chips has stopped, the major beneficiaries appear to be Japanese chip makers who are reaping windfall profits on highly infated chip prices.
- Japan still dominates the market for DRAMs (Dynamic Random Access Memories), the key computer components at the centre of the trade row. Although two US semiconductor companies, Intel and Motorola, have both "re-entered" the DRAM market, neither is actually manufacturing DRAMs on US soil.
- Worse still, the trade agreement has failed to produce any significant change in the pattern of semiconductor trade with Japan. The $16bn Japanese semiconductor market is still almost 90 per cent owned by domestic suppliers.

Early challenges to the pact were based largely on political or technical opinions on matters of international trade law. The US chipmakers have successfully defended "their" trade pact against charges that it represents a cartel of the world's largest chip suppliers, that it is protectionist or that it runs roughshod over the rights of other nations by mandating a system of worldwide chip price monitoring.

US semiconductor penetration of Japanese market



The latest challenge, from a group of US electronics equipment and computer manufacturers, presents a far more difficult problem for the US Government and supporters of the chip agreement.

These companies claim that they are being injured by the chip pact. They charge that the trade agreement has exacerbated a serious shortage of critical memory chips by encouraging Japanese chip makers to cut production. Further, they point out that it is the US electronics industry that has carried the burden of the chip agreement by being forced to pay higher prices for Japanese memory chips.

Already, the chip purchasers have won the endorsement of the American Electronics Association, the industry's largest trade group. This has fractured a fragile consensus of support for the trade agreement which was built on the argument that the well-being of US chip makers is in the interests of the entire US electronics industry.

As recently as March this year, the AEA and the Semiconductor Industry Association, the US chip makers' trade group, issued a joint statement that emphasised the interdependence of different sectors of the electronics industry. "The elements of the (US) electronics industry are analogous to a food chain," said Mr Horace McDonell, AEA chairman and chairman of Perkin-Elmer, a major semiconductor production equipment manufacturer. "If one link is damaged, the others automatically are injured. We must not let that happen."

According to US semiconductor industry officials, the AEA has reneged on its March agreement to support the trade pact. Pressured by a group of vocal opponents including AT&T, Hewlett-Packard, Apple Computer, Compaq Computer, NCR and Tektronix, the trade group has reversed its position and has agreed to request a Commerce Department view of the entire agreement.

Proposals adopted by the AEA include recommendations that the Commerce Department system for setting "fair market values" for Japanese memory chips be scrapped or severely modified and that the Japanese Government be urged to replace its price monitoring system.

If such proposals are officially forwarded to the Commerce Department, the rug will be pulled out from under supporters of the trade pact. It would be difficult, both legally and politically, for the Commerce Department to turn down such requests. Any such review would, however, severely weaken the position of US trade officials as they continue to argue for fuller implementation of the pact with their Japanese counterparts.

Drastic modification of the pact, possibly separating the twin issues of prevention of dumping and market access, now appears almost inevitable.

A last-ditch effort to mend the rift within the US electronics industry takes place tomorrow, when senior executives of about 10 companies will meet at an extraordinary industry summit. Meeting privately, these industry leaders may reach a mutually acceptable compromise. Such meetings might better have taken place two or three years ago, before the trade agreement was inked.

Occidental may sue Venezuela for $1bn

By Joseph Mann in Caracas

OCCIDENTAL PETROLEUM of the US intends to sue the Venezuelan Government for $1bn in damages if the company does not receive compensation for claims dating back to Venezuela's nationalisation of all foreign oil companies in 1976, according to an official involved in talks between the two parties.

The Occidental claim refers to exploration work the US company performed in the southern part of Lake Maracaibo during the early 1970s under a service contract with the Venezuelan government.

Although other international oil companies received compensation from the Venezuelan Government after the 1976 nationalisation, Occidental was excluded as a result of allegations that the company had paid bribes in Venezuela.

The charges were never proven, but Occidental has not received any compensation, despite efforts to reach an agreement with three different governments. Occidental's original claim was for $42m, but the company also is seeking over $70m in interest.

The company has already petitioned the office of the US Trade Representative to deny Venezuela privileged access under the scheme of the Generalised System of Preferences in relation to the same claims, and the oil company's request is being investigated.

Under GSP terms, a country that has nationalised the property of US citizens without "prompt, adequate and effective compensation" can be denied GSP privileges. Venezuela could lose around $124m per annum in export benefits if its GSP status is revoked, according to one estimate.

Occidental has decided that unless some agreement is reached over the next few months, it will move ahead with the billion-dollar lawsuit in the US courts.

Taiwan places order for three Airbuses

THE European aircraft group Airbus Industrie announced yesterday that it has recieved an order from Taiwan's China Airlines for three of its A300-600R passenger jets, AP-DJ reports from Paris.

Financial details of the order were not disclosed, but Airbus said the aircraft will be powered by Pratt & Whitney engines and are scheduled for delivery during the fourth quarter of 1989.

Airbus is a consortium between Aerospatiale of France, Messerschmitt-Boelkow-Blohm Gmbh of West Germany, British Aerospace and Construcciones Aeronauticals of Spain.

Row as W Australia joins Bond in chemical plant

By Chris Sherwell, recently in Perth

IN AN unwanted blaze of controversy, the state government of Western Australia has become involved in a A$850m petrochemical plant to be built in a joint venture with the local entrepreneur Mr Alan Bond.

The idea behind the project is to use some of the vast quantities of gas from the giant North-West Shelf natural gas project. The aim is two-fold: to capitalise on the booming export market for petrochemical products in Asia, and to replace imported caustic soda for the vast local alumina industry.

The principle is simple. Ethane gas will first be separated from North-West Shelf gas, cracked into ethylene and reacted with chlorine to make ethylene dichloride (EDC).

This will then be converted into vinyl chloride monomer (VCM), and perhaps further into polyvinyl chloride (PVC), the world's best-known plastic. The chlorine will come from plentiful local supplies of common salt, through an electrolytic process which simultaneously produces caustic soda.

The plant itself will be constructed next to a new liquid petroleum gas plant at the Kwinana industrial complex south of Perth. The main contractors will be the Japan Gasoline Company and Clough Engineering, a local group BF Goodrich, Stone and Webster, and Asahi Glass will supply the technology.

All the planned output of 100,000 tonnes of EDC and 240,000 tonnes of VCM would be exported, purchased under agreed contracts by Mitsubishi Corporation of Japan. Another 235,000 tonnes of caustic soda, some 40 per cent of Western Australia's requirements, would be sold to Alcoa, which operates three local plants converting bauxite to alumina.

As these projects go, Western Australia's would be largest caustic soda plant in the country, but not the largest petrochemical plant. By world standards it is about half the size of one which might be built in Japan or the US.

The Labor Party Government of Western Australia is now studying the whole project closely before deciding exactly how much equity it will inject. An announcement is expected in the next few weeks.

Among other things, it must finalise important decisions on the pricing both of the gas and of the power which will supply the plant. But the biggest consideration by far relates to interest charges on the project's large borrowings.

This and the weak international market have been the biggest stumbling blocks in the past, when the idea of a local petrochemical plant was first conceived – mainly as a result of the previous Liberal Party government's misjudgments of future domestic demand for gas from the North-West Shelf.

That controversy is now part of history. Current attention focuses on the way the Labor Government has been drawn into the project as a result of joining Mr Bond in last October's rescue of Rothwells, a Perth merchant bank hit by the share market crash.

The bank was then headed by Mr Laurie Connell, a well-connected local entrepreneur. He and Mr Dallas Dempster, another colourful local businessman, had put together a petrochemical project proposal after Government approaches to various international companies elicited no firm response.

Three months ago, the Rothwells rescue was close to falling apart as problems became obvious. At the same time the Government was seeking to retrieve its controversial A$150m guarantee intact before the end of the financial year.

In the event, Mr Connell was obliged to take responsibility for some A$350m in loans. But to fund it he had to sell his half share in the petrochemical project to Bond Corporation.

Mr Bond would not proceed without the state government's participation. The government agreed, in order to facilitate the release of its Rothwells guarantee.

Bond Corporation will now buy Mr Dempster's half-share for a reported A$25m, and has declared it will be putting up A$250m in equity for the project. The government is expected to put up the same amount it backed Rothwells with – A$150m.

To the Liberals, all this is nothing short of a scandal. Mr Barry MacKinnon, the Liberal leader, said this week that the Government's commitment to the petrochemical plant has nothing to do with economic considerations "and everything to do with politics". If there is a recession in the market and interest rates rise, he said, the project could well make losses and the taxpayers shoulder them.

Ministers and officials, who are being advised by First Boston Australia, see things in a different light. They say the more they study the project, the better it looks.

The obvious attractions lie in the availability of the necessary raw materials, the existence of guaranteed markets and the prospect of export earnings

Construction is due to commence in November, with the start-up date scheduled for the third quarter of 1991. Although the final go-ahead is still awaited, few doubt it will be forthcoming. It is certain to be a hot issue in the state election, which is expected early next year.

Renault may enter parts sale deal with Japanese

By Paul Betts in Paris

RENAULT, the French state-owned car group, is discussing the possible sale of components to Subaru, the Japanese car manufacturer owned by Fuji Heavy Industry.

The French group have confirmed that there had been talks with the Japanese company but claimed that they were part of the general discussions over possible collaborations which Renault, like other European car makers, has been holding with other car groups.

However, Subaru appears particularly interested in French collaboration since this could help clear the way for French Government approval for Subaru's proposal to produce four-wheel-drive cars in France for the European market.

Subaru has been stepping up its efforts to establish industrial bridges in Europe to position itself for the advent of the new single European market environment of 1992. To this end, it has proposed to invest about FFr100m to convert a farm machinery manufacturing facility at Angers, in western France, formerly owned by International Harvester.

The project envisages production of about 25,000-30,000 Subaru four-wheel-drive cars a year for the European market by late 1992 or early 1993.

Although the city of Angers and its left-wing mayor, Mr Jean Monier, have been campaigning in favour of the Japanese investment, the French Government has so far delayed taking a decision on the sensitive subject. Indeed, the Government appears anxious to ensure that the Subaru cars manufactured at Angers would involve at least 80 per cent of local French content.

The French authorities are also insisting on a similar level for the Nissan cars made in the UK which the Japanese manufacturer wants to start exporting to France this autumn.

UK Nissans 'for export to US'

By Ian Rodger in Tokyo

NISSAN MOTOR is thinking of exporting cars from its UK factory to the US, starting in 1990, according to a Japanese newspaper report.

The Yomiuri, Japan's largest daily newspaper, said that the model to be exported would be the left-hand drive 2,000cc version of the Bluebird. Exports to Europe are to begin in October.

By exporting from the UK to the US, Nissan could increase its shipments into that market without violating an agreement between Japan and the US restraining exports of cars from Japan to the US.

Nissan officials said "nothing concrete" had been decided, but such a move might well be possible.

Kinnock call to unions on training scheme

By Philip Bassett, Labour Editor

THE TRADES Union Congress looks likely today to refuse to co-operate with the Government's £1.5bn Employment Training programme despite an extraordinary last-ditch call yesterday by Mr Neil Kinnock, the opposition Labour Party leader, for unions to support the scheme.

Trade union leaders believe that today's vote on ET is very finely balanced following a vote in its favour last week by a margin of one on the TUC's general council.

But careful calculations prepared by unions which oppose the scheme suggested last night that the full TUC, meeting in Bournemouth this week, may abandon its current conditional support for the programme and vote to withdraw co-operation by a margin of perhaps as little as 100,000 out of a total of 9m votes.

Senior officials of the Government's Training Commission, which administers the scheme, are pessimistic about the prospects of tomorrow's vote being cast in favour of support for ET. A withdrawal is likely to throw in doubt the TUC's continued memebership of the Commission, and may considerably reduce the size and coverage of the programme.

In a speech to the Bournemouth gathering billed beforehand as a major attack on the Government's economic record – an attack it did contain – Mr Kinnock took the highly unusual step for a Labour leader of directly addressing a contentious trade union issue the day before the key debate upon it.

His move, which was made in consultation with the TUC leadership, was clearly designed to influence today's debate, though after the speech most union leaders insisted that it would not do so.

Mr Kinnock spelt out his reservations about the scheme, insisting that Mrs Margaret Thatcher, the Prime Minister, had made it clear last week that the scheme was only non-compulsory for the time being; what she wanted, he said, was "coercion, no more, no less." Any move along these lines, for example by cutting off unemployment and social security benefits for those refusing to take part, would be regarded as completely unacceptable by both Labour and the unions.

But he posed the "classic union question" of whether it was better to achieve what the unions wanted from training, and from ET in particular, from inside or outside it.

Whichever way the unions decided, they faced a tough choice. Staying inside the Training Commission and involved in ET would lay the unions open to charges of complicity with it. But to go outside would remove the main impediment to its transformation into a US-style workfare system, would allow training to be more easily privatised.

While none of the deficiencies and weakness and letdowns of Employment Training would be the fault of the trade union movement, Mr Kinnock continued, "You will get the blame. You will be the whipping boy. You will be the excuse for everything wrong."

His support for remaining with ET angered those unions which oppose it, especially the TGWU transport workers, whose general secretary, Mr Ron Todd, and his delegation steadfastly refused to applaud Mr Kinnock in this section of his speech, though overall he drew a standing ovation.

However, even if Mr Kinnock's plea is rejected today by the TUC, Mr Kinnock's standing may be improved by being seen to have taken a stand independent from the unions, and to have distanced himself from any charges which may be levied against them if they vote not to co-operate with the scheme.

Neil Kinnock: at the TUC

United in talks with satellite Super Channel

By Raymond Snoddy

UNITED CABLE of the US, one of the largest American cable television operators, has emerged as favourite to buy Super Channel, the British-based European satellite cable channel.

The Super Channel board decided yesterday to enter into detailed discussions with United, which has recently been expanding into the European cable market and the UK in particular.

It is believed that the board, controlled by Mr Richard Branson's Virgin Group and four independent television companies, wants a financial package which includes a commitment to keep the channel going until it breaks even and compensates existing shareholders.

The current Virgin business plan envisages that a further £15m will be needed to take the general entertainment channel, believed to be losing more than £1m a month, to break-even.

The options being considered include one which would allow Virgin and some of the main ITV shareholders – Granada, Yorkshire, Anglia and Television South – to remain as minority shareholders and others to leave.

New cable franchises, Page 9

August car sales soar to record high

By Kevin Done, Motor Industry Correspondent

UK NEW CAR sales jumped to an unprecedented level in August setting a record for a single month and arousing renewed fears of a further sharp deterioration in the UK balance of payments, as car imports surged.

New car registrations totalled 477,305 units last month, an increase of 17.18 per cent from August last year, the previous record month, underlining the continuing boom in UK consumer spending.

Imported cars captured 61.02 per cent of the record August car market compared with 54.93 per cent in the same month last year. It was one of the worst months on record for the UK car trade balance, although imports did capture a slightly higher share in August 1980 and 1981 at more than 63 per cent.

August is traditionally the strongest month for car sales in the UK with demand stimulated by the change of registration prefix to a new letter. The month accounts for more than a fifth of the year's total sales.

The Society of Motor Manufacturers and Traders, the motor industry trade association, sought yesterday to allay some of the concern about last month's very high import levels and claimed that imports would "probably ease to nearer 55 per cent over the full year."

This would still mark a major deterioration from the 50.73 per cent share captured by imports last year and would signal a return to the high car import levels of the first half of the 1980s.

Car import levels are generally highest in August because of the concentration of purchases by private motorists, who favour imported cars, while the majority of fleet buyers still tend to buy British-built cars.

The UK new car market is now one of the strongest in West Europe. Sales in the first eight months have increased by 12.1 per cent to 1,635,688 units from 1,459,719 a year ago. Sales for the full year are expected to reach at least 2.2m units, reaching a record level for the fourth successive year.

Several car makers including Ford, the UK market leader, are, at least temporarily, withdrawing cheap finance schemes that have served to stimulate sales so far this year, but the industry does not believe this will retard the boom.

Mr Trevor Chinn, chairman and chief executive of Lex Service, the leading UK car retailer, said there was a strong underlying growth in demand for cars because of the relatively lower density of car ownership in the UK compared to the rest of West Europe, and because of the increasing number of households in the UK.

Schools to control their own budgets

By David Thomas, Education Correspondent

RESPONSIBILITY for spending decisions dealing with billions of pounds a year is to be removed from local education authorities and handed over to schools in England and Wales under plans announced by the Government yesterday.

The plans, representing the most extensive change for decades in the way schools are run, were set out in a lengthy memorandum to education authorities and schools. They arise from the recently enacted Education Reform Act.

In future, local authorities will have to distribute funds to schools by a set formula. At least three-quarters of this money will be determined by the number of pupils in each school, thereby giving schools an incentive to make themselves popular with parents and increase their pupils.

All secondary schools and primary schools with more than 200 pupils will take over responsibility for managing their annual budgets.

The distributed funds will cover the great bulk of school costs including staffing, day-to-day running, books and equipment.

This greatly extends the control over budgets held by school governors and head teachers.

Mr Kenneth Baker, Education Secretary, said yesterday that the reforms would allow schools to meet more effectively their users' needs. However, the National Union of Teachers expressed concern that schools would be forced to trade spending on teachers' salaries against purchases of books and equipment.

Barclays launches first test of smart card

By Alan Cane

BARCLAYS BANK is conducting its first public trial of a "smart card", a bank card containing a microcomputer.

The trial will take place over the next 15 months at the Dallington Country Club, a sport and fitness complex near Northampton.

It will involve smart cards manufactured by Honeywell Bull, the computer company owned by Honeywell of the US, Bull of France and NEC of Japan. The cost of the trial is believed to be considerable.

Smart cards have been tried extensively in France, where the technology was invented, and in Japan and the US. The only examples in the UK have been a health card experiment involving the Department of Health and Social Security in Exeter and a Midland Bank trial at Loughborough University with cards manufactured by GEC.

Mr Ken Bignall, deputy chief executive of Barclaycard, said yesterday he believed the Dallington trial would be the most advanced experiment yet in smart card technology.

The 2,000 members of the Dallington Country Club will be able to use the cards like a key to enter the club after reception hours, to pay for goods and services, book squash courts and record their medical history.

Bank interest in smart card technology arises because it offers greater security than the magnetic stripe widely used on cheque guarantee cards, and to gain access to automatic cash dispensers and electronic funds transfer.

The chief disadvantage of the smart card is its cost – several pounds compared with a few pence for a magnetic stripe card. Barclays has refrained from experimenting with the smart card in the past for this very reason.

Mr Bignall said a case for the card could only be made when it featured the range of facilities offered in the Dallington trial.

Its aim is to test public reaction and the robustness of the system. He said he did not envisage technological problems; modern cards should even stand up to life in the back pocket of a squash player's shorts.

Cruise missile removal begins under INF deal

By David White, Defence Correspondent

THE WIDELY contested deployment of US cruise missiles in Europe begins to be thrown into reverse tomorrow when a first batch is due to be flown out of Britain for destruction in the US.

The missiles, from Molesworth in Cambridgeshire, are the first of their kind to be removed from Europe as a result of the Intermediate Nuclear Forces (INF) treaty between the US and the Soviet Union, ratified in June, banning medium-range ground-launched missiles.

Mr George Younger, the Defence Secretary, and Mr Charles Price, the US ambassador in London, are due to be present as the first missiles leave for the nearby US Air Force base at Alconbury. US officials say they will be flown immediately to the US for breaking.

Last week, nine Pershing II ballistic missiles, also barred under the treaty, were moved from a base at Heilbronn in West Germany ready for transport to the US.

The cruise missiles are part of the single operational 'flight' of 16 missiles installed at RAF Molesworth. Initially, a further three flights had been scheduled for deployment there.

The 96 cruise missiles at Greenham Common, near Newbury in Berkshire, which has been the focus of the UK anti-nuclear campaign, are expected to remain until the latter part of the three-year withdrawal period provided for by the INF treaty.

Neither US nor British officials would say how many missiles were being taken out in this first, highly symbolic operation.

The BGM-109G Tomahawk missiles, made by General Dynamics of the US, are carried by mobile launchers, with four missiles to a launcher and four launchers to each flight. Nato decided in December 1979 to deploy 464 of these missiles in the UK, Italy, West Germany, Belgium and the Netherlands, in response the build-up of Soviet SS20s, which are also now in the process of being destroyed. The first cruise missiles arrived in Britain four years later.

Postal strike brings service to standstill

By Alice Rawsthorn

THE BRITISH postal service came to a virtual standstill yesterday. Two thirds of postal workers were out on strike by the end of the day and only a handful of the Post Office's major sorting centres were still operative.

The international mail service has now been suspended for two days and by the end of yesterday the Post Office could offer only a very limited inland service. The only letters likely to get through the postal system were those sent within the few towns, like Belfast in Northern Ireland and Gloucester, in the west of England where sorting centres were still working.

During the day the number of postal workers on strike almost doubled from 48,000 on Monday to more than 92,000 of the 140,000 strong workforce.

The industrial action intensified throughout the day as postal workers objected to the Post Office's instructions that they should handle mail diverted from areas affected.

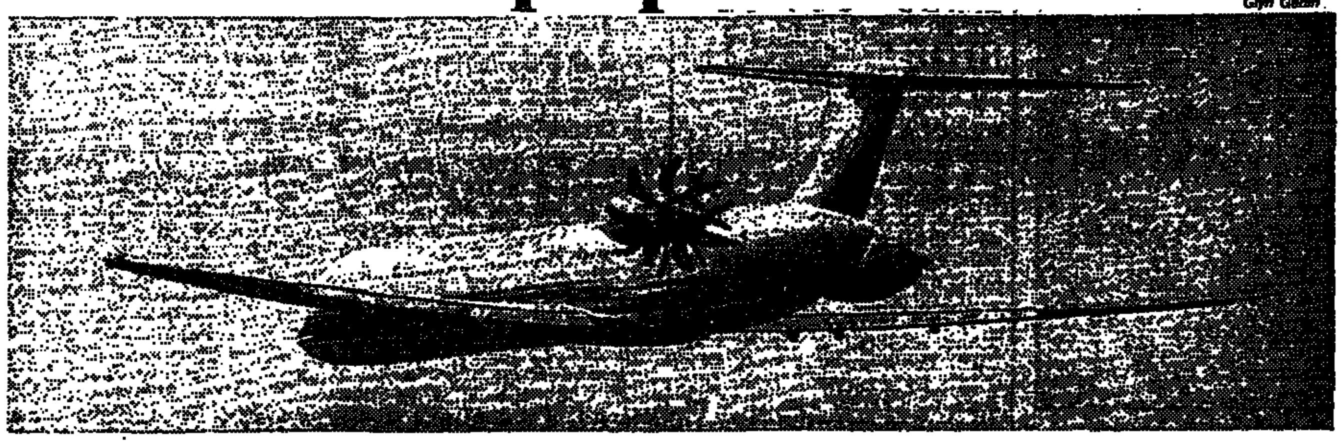
There was a walkout at Newcastle in north-east England in protest at instructions to process 100,000 letters delivered there by a Post Office customer in Liverpool. Similarly the strike spread to Chelmsford in Essex when postal workers were told to handle mail at Waterloo and Kings Cross railway stations in London.

The Post Office said that there were "so many gaps" in the system that it was "very difficult to maintain anything like an adequate service".

UK NEWS

FARNBOROUGH INTERNATIONAL AIR SHOW

US launches propfan sales drive



Glyn Genin

By Michael Donne, Aerospace Correspondent

McDONNELL DOUGLAS and General Electric of the US are holding marketing discussions with airlines in the US and western Europe with the aim of winning launch orders for their new family of fuel efficient propfan airliners.

Those are the 114-passenger MD-91 and the 165-passenger MD-92, both twin-engined short to medium-range aircraft. They are designed to replace existing ageing and noisy conventional jet airliners such as the Boeing 727 and early models of the 737 and the Douglas DC-9, which account for about 65 per cent of the world's jet airliner fleets.

McDonnell Douglas and General Electric foresee a potential market of about 2,500 propfan aircraft by the end of the century. The propfan engine now under development by General Electric uses an advanced turbine "gas generator" to drive two sets of counter-rotating blades with a diameter of 11 ft shaped *rather like a ship's* screw.

The result is a quieter engine than conventional jets, and one which cuts fuel consumption by as much as 40 per cent, while propelling the aircraft at speeds close to those of jet airliners.

Both the MD-91 and MD-92 will use two propfan engines mounted at the rear of the fuselage.

A propfan "demonstrator" aircraft, using one propfan engine on the left side of the fuselage and a conventional jet engine on the other side, is being flown daily at the show, and is already attracting great interest from airline executives. This demonstrator aircraft has now made more than 120 flights in a year-long test programme in the US.

Mr Kim Still, vice-president and general manager of the propfan programmes at McDonnell Douglas, said at Farnborough yesterday: "We are finding very high interest among many airlines in these two aircraft, because of the advantages they offer in both fuel savings and community noise levels.

"We are uniquely able to offer two different models to satisfy different airline requirements, and I am confident we will sign up the orders we need to launch the full scale development and production effort."

Mr Still said that McDonnell Douglas hoped to win the first airline commitments by the end of this year, and that when they amounted to about 100 aircraft, probably by mid-1989, the two aircraft would be formally launched together, with first flights expected in 1992, and entry into airline service in 1993. The MD-91 would fly first, followed by the MD-92 about six months later.

Airlines with which McDonnell Douglas and General Electric are discussing the new aircraft include United, Northwest, Trans World, Delta, American, Alaska and Midway all in the US, and British Airways, Scandinavian airlines, Iberia of Spain, Swissair, Austrian and Finnair in Europe.

The prices of both aircraft will be higher than those of current McDonnell Douglas twin jet airliners, ranging from about $25m (£14.8m) for the MD-91 to more than $30m for the MD-92, but the manufacturers believe the airlines will pay to get the benefits of significantly lower fuel costs and lower noise levels.

Mr Still said that production of parts of the new aircraft would be undertaken overseas by Aeritalia of Italy, SAAB of Sweden, and the Shanghai Aviation Industrial Corporation of China.

Work on the General Electric engine is being shared by Snecma of France, with a 35 per cent stake in the venture, while in the UK Dowty Rotol is involved in the development and manufacture of the big fan blades for the engine.

● McDonnell Douglas yesterday announced new orders worth over $1.2bn at Farnborough.

The company has won a total of 27 MD-80 series twin engine jet airliners from Alitalia, the Italian state airline, worth about $830m. This includes seven aircraft on firm order and a further 20 subject to Italian government approval.

At the same time McDonnell Douglas signed an order for four of its new MD-11 long-range Trijet airliners from China Airlines of Taiwan, worth about $400m.

Early test expected for complete Eurofighter engine

By Lynton McLain

EUROJET TURBO, the West German-based holding company for the multinational programme to build the engine for the Eurofighter, expects to have the first complete engine tested before the end of this year.

A first test run of the core of the engine is also expected by the end of the year.

Mr David Mackenzie, the head of the Eurojet EJ200 engine project for the Eurofighter, said the first complete engine would be tested at MTU München, the German partner with one third of the shares in the project.

A second engine will be tested at Fiat Aviazione, the Italian company which has a 21 per cent share.

The third design verification engine is expected to be tested by Rolls-Royce, which has a 33 per cent share in Eurojet. The final partner is SENER, the Spanish company which has a 13 per cent share.

Mr Mackenzie said that so far the industrial partners had developed the engine from their own funds at a cost of between £60m and £70m. The companies are committed to spending half as much again of their own money.

● Snecma, the French aero-engine company, has proposed a second big aero-engine consortium in Europe to compete with the Turbo Union/Eurojet for military engine programmes. Snecma envisaged the possibility of two European engine consortia competing for military engine business.

Short Bros expects FJX signing this year

By Lynton McLain

SHORT BROTHERS expects to sign memoranda of understanding with at least two European or US aircraft companies this year about partnership in the proposed Shorts FJX project, Mr Roy McNulty, managing director of Shorts, said yesterday. Shorts is the state-owned Belfast aircraft and guided missiles company.

Mr McNulty said the company was talking to three aerospace companies with a view to two of them joining the project to build a regional airliner.

Shorts is prepared to contribute 25 per cent to 30 per cent of the £500m development cost of the FJX project, amounting to about £150m. Shorts hopes to recover about half that amount in government aid for the launch.

Airlines which have expressed interest in the FJX project include British Airways and Airlines of Britain, the British Midland holding company. They have asked Shorts to keep them informed as the project is developed.

Shorts aims to decide the airliner's configuration by late this year, when it also expects to have selected an appropriate engine. Detailed airline requests of probable requirements have led Shorts to increase passenger capacity from just over 40 to 48 seats.

The company wants to develop a complete family of regional aircraft based on the FJX and is already contemplating a 60-seat version of the twin turbofan airliner.

Wardair order goes to R-R

ROLLS-ROYCE will benefit by up to £100m from an order announced at Farnborough yesterday by Wardair of Canada for 24 of the Dutch-built Fokker type 100 airliners using Rolls-Royce Tay engines.

The company said that the estimated £100m value of the contract covered spares, initial engine deliveries and service support over the expected life of the aircraft running up to at least 20 years. Deliveries are due to commence late in 1989.

Steyr-Daimler-Puch setting up UK heavy trucks subsidiary

By John Griffiths

STEYR-DAIMLER-PUCH, the Austrian vehicle and weapons group, announced yesterday that it was setting up a UK trucks subsidiary, making it the first new competitor in the British market for over a decade.

Steyr Trucks (UK), based near Daimler-Benz's UK headquarters at Milton Keynes, will enter the UK market for trucks of 18 tonnes weight and above.

Dr Otto Voisard, chairman of Steyr group's executive board, said the UK was chosen for Steyr's first major west European truck venture outside Austria because of the size of Britain's heavy truck market and its growth rate.

However, the Austrian company is entering the UK market when competition is on the point of stiffening sharply. A few days ago AWD, a company formed out of the Bedford truck operation formerly owned by General Motors, announced its re-entry into the market, where it intends to sell 1,000 vehicles this year

Steyr, a large but still financially-troubled group in which Creditanstalt-Bankverein, one of Austria's largest banks, has the biggest single shareholding, was one of the European truck makers hit hardest by the collapse in the early 1980s of Third World truck markets.

Last year, its European plants marketed 2,100 trucks, compared with over 6,000 a year at the end of the 1970s.

While Dr Voisard denied yesterday that Steyr was developing a strategy for a pan-European presence, he made clear that if a firm bridgehead were established in the UK as well as Holland and Belgium, Steyr would seek expansion elsewhere in Europe.

Steyr's immediate ambitions for the UK are modest. It hopes next year to sell between 200 and 300 trucks in the 18 tonnes range and above, representing 1per cent to 2 per cent of the market. Total sales in the sector this year are expected to reach about 26,000.

Deliveries to UK dealers will start before the end of this year. Steyr expects to have eight to 10 dealers under contract by the end of this year, 20 by the end of 1989 and an eventual network of 50.

Following the unveiling of its initial trucks range at next month's motor show in Birmingham, Steyr plans for UK sales to reach 1,000 units a year within the next four years. That is more than double its target for the Netherlands over the same period.

Dr Voisard, who made little attempt to gloss over the company's continuing financial problems, said Steyr's truck production was now on a firmly upward trend. Its trucks are now also assembled in China, while output in Europe alone this year would be about 1,000 units higher than the 2,100 of 1987, rising to 3,700 units in 1989.

The vehicles use a number of UK-produced components, including axles and transmissions built by the British subsidiaries of US multinationals Rockwell and Eaton respectively, as well as axles from GKN, the UK components group.

Steyr has also forged ties with ERF, the independent British truck maker based in Cheshire, under which ERF is using Steyr cabs for ERF's own truck range. While neither company will provide details, they are understood to be considering even closer collaboration.

Steyr's group financial results are expected to show continuing losses, but possibly reduced ones, after recording a loss of Sch 1bn (£45.4m) in 1986. It has received substantial Austrian government assistance but, Dr Voisard yesterday insisted, "we are once again on solid ground."

Scottish electronics gap to be filled by Japanese

By James Buxton, Scottish Correspondent

AN IMPORTANT gap in the range of products made in Silicon Glen – the Scottish electronics industry – is to be filled by an overseas company.

Tenma Corporation of Japan is to open a plant at Cumbernauld to make plastic injection mouldings for the electronics industry.

Tenma, which makes components for the electronics and car industries, as well as houseware products, will initially invest £4m on a 40,000 sq ft plastic injection moulding plant. The plant is expected to employ 100 people by the end of next year and will make tools for producing plastic mouldings.

Within three years the company expects to expand into making other industrial products and houseware goods, taking the total investment up to £7m and employing a total of up to 200 people.

Although many of the world's leading electronics manufacturers have plants in Scotland, only 12 per cent of their inputs originate in Scotland, according to a 1986 survey by the Scottish Development Agency. In that survey more companies highlighted the lack of locally available plastic mouldings than that of any other item.

Since then the SDA has failed to persuade Scottish-based companies to fill the gap. The mouldings required by the electronics industry are not available in Scotland on the scale and to the quality needed by large manufacturers.

Tarmac unveils £250m plans for expansion

By Andrew Taylor

PLANS to spend £250m over five years on quarries, plants and equipment were announced yesterday by Tarmac, the construction and building materials group.

Development of a £40m super-quarry at Cliffe Hill, Leicestershire, is already under way. It is one of 10 new quarries and sand and gravel pits proposed by Tarmac. Planning permission for pits has been secured for sites in Derbyshire, Humberside, Cheshire and Cambridgeshire. A rock quarry at Ravelrig, near Edinburgh, is also being developed.

Tarmac's other plans include the development of 12 blacktop manufacturing plants, 20 ready-mix concrete and mortar plants and 10 waste disposal sites.

UK NEWS

Current account deficit in 1989 'could reach £16bn'

By Philip Stephens, Economics Correspondent

THE DEFICIT on the current account of Britain's balance of payments is likely to turn out at £13 or £14bn this year and may rise further to £16bn in 1989, one of the City's leading forecasting groups says today.

Deficits of that magnitude imply that interest rates will remain at 12per cent well into next year, with the risk that a collapse of confidence in sterling could drive them still higher, according to economists at Goldman Sachs, the US investment bank.

Their report warns that no major industrial country has been ableto run deficits of the size now facing Britain for very long without facing "severe exchange rate problems."

So although the significant tightening of monetary policy already undertaken by the Government could allow a "soft landing" for the economy, that scenario could be "blown apart" by a loss of international confidence in sterling.

Goldman Sachs predicts that the economy will grow by around 4 per cent this year, but domestic spending may rise by as much as 6 to 7 per cent, implying a continuing surge in imports. It predicts investment will increase by 12 per cent and consumer spending by 6 per cent.

The ratcheting-up of interest rates over the last few months, however, should slow the growth of demand in 1989, with the Treasury likely to reinforce that process by restricting tax cuts in the next budget to perhaps £1.5bn, despite a much higher than forecast public sector surplus.

In the meantime, the measured rate of retail price inflation may accelerate to nearly 7 per cent early next year in response to higher mortgage rates.

More optimistically, however, Goldman Sachs says that there is a chance that interest rates at or above present levels will underpin confidence in the pound and allow the current account deficit to be financed without a collapse in sterling's value. It concludes: "On this assumption, the real disaster – a take-off in trend inflation – should be avoided."

Six more franchise areas for cable television advertised

By Raymond Snoddy

BRITAIN'S Cable Authority yesterday advertised six new cable television franchises, covering nearly 750,000 homes, in a further indication of renewed confidence in the future of the industry.

Mr Jon Davey, director general of the Authority – the body that regulates cable television – told a marketing conference in London yesterday that he was also beginning consultations on a further five possible areas.

"We now have a quarter of the whole country already franchised or in the process of franchising: that represents over 5m homes in total," Mr Davey told cable marketing executives.

The recent policy of the Cable Authority has been to advertise new fanchises only when there have been serious expressions of interest with evidence of financial backing.

Some of those who have expressed interest in the six new franchises – two of which are in England and four in Scotland – will depend on US finance, the current driving force of the UK cable industry.

At the moment 265,000 homes subscribe to some form of cable television service in the UK, including 48,000 in the 10 modern franchises which are already operating.

"I have no doubt at all that we shall be seeing dramatic increases in cable's penetration over the next two years," Mr Davey said.

He also listed a wide range of other cable television channels he said were planning to come to Europe.

They include two successful US channels – the Disney Channel and the Discovery Channel, concentrating on nature and travel documentaries.

Other new channels include Financial News Network, the Silent Network for deaf viewers and an Afro-Caribbean channel to supplement Indra Dhnush, the Asian channel already carried on four British cable networks.

Apart from the 10 cable franchises already in operation a another 15 have been awarded, some of which will launch services soon.

Franchise applications are now now being considered for a further seven areas including the largest franchise advertised in the UK so far, covering Birmingham and Solihull.

B Telecom overcharged company by £236,000

By Della Bradshaw

S & W BERISFORD, the commodities, property and financial service group, has been overcharged by British Telecom (BT) on its telephone bill by nearly a quarter of a million pounds.

BT has refunded £236,000 to the company following the payment of a number of incorrect bills over a period of eighteen months.

Mr Michael Carrington, group administration manager for Berisford said the company's phone bill from BT should have been less than £80,000 for the same 18 month period.

More than two-thirds of Berisford's communications traffic is handled by Mercury Communications.

Mr Carrington is still in negotiation with BT over interest payments.

The problems with the telephone charges began when Berisford moved premises at the end of 1986 and installed telephone lines from both BT and Mercury Communications.

A sequence of BT bills arrived which bore no relation to previous ones.

BT responded yesterday by saying the error was the result of engineering work which had to be carried out when Berisford moved offices.

The extent of the overcharging was discovered when Mr Carrington called in the telecoms consultancy company Octagon Telecommunications Services in June, to investigate the bills.

According to Octagon, over £230,00 of the amount was due to a miscalculation of metereadings.

In addition BT was charging Berisford for 52 exchange lines when the company only had 39.

A spokesman for BT emphasised the telephone company was satisfied that the Berisford case was an isolated incident of overcharging.

In April 1987 the Bank of England settled with BT after being overcharged by a similar quarter of a million pounds.

More recently Clark's, the shoe manufacturer, confirmed it had been overcharged by £3,500 over four years for telephone lines it no longer had.

Nearly half the complaints received by Oftel, the telecommunications watchdog, are about bills from BT. Nearly all of those, however, are from domestic rather than business telephone subscribers.

Oftel says it is confident that the incorrect functioning of telephone meters is very rare, but it is pushing for BT to introduce itemised billing throughout the country to give customers more confidence in the system.

Technology, Page 14

Apple wins contract with Arthur Young worth £3m

By Alan Cane

APPLE, the US-based professional personal computer manufacturer, has won a significant round in Britain of its fierce battle with IBM for the lion's share of the corporate microcomputer market.

Arthur Young, the international accounting and management consultancy firm, has said it intends to install some 1,500 Apple Macintosh computers, worth over £3m, in its 22 UK offices over three years.

Arthur Young's audit practice has already standardised on the Apple Macintosh for its professional staff worldwide; it is understood that in the UK, the Macintoshes will, in many cases, be replacing IBM-compatible personal computers.

Mr John Howells, director of Arthur Young's audit practice said yesterday: "The combination of our audit and accounting software and a computer that is so easy to use will free professional staff from many of the mechanical tasks of auditing so they can spend more time on the complex issues arising in today's audits."

Apple's success is significant because it represents another victory for its innovative approach to personal computer technology. It has pioneered for commercial use a technique originally invented by Xerox Corporation in which the user communicates with the computer through small pictures on the screen and through menus of activities.

Research studies have shown that the Macintosh approach is easier for executives to learn and that users enjoy working with Macintoshes rather than the more formal IBM-style PCs.

Arthur Young said yesterday that it planned to develop a company-wide comprehensive office system based on the Macintosh designed to enhance the links between professional and administrative staff.

Although Apple has won a series of orders over the past two years as large companies have learned how simple the Macintosh is to use, IBM-style computers still dominate personal corporate computing.

But the world's largest computer company has realised that its small rival has the right approach. At the end of this year, IBM will launch "Presentation Manager", its own version of Apple's graphical interface.

Monsanto joins university in research venture

By David Thomas, Education Correspondent

OXFORD UNIVERSITY has signalled its intention to become more fully involved in the exploitation of research by establishing a joint venture company with Monsanto, the US pharmaceuticals group, to exploit the results of a large-scale research programme in advanced biochemistry.

It is also to set up a new company, Isis Innovation, to exploit inventions arising out of research at the university funded by research councils and other bodies, where the rights are not already tied.

The joint venture, Oxford Glycosystems, is developing medical applications from the research. The university holds an equity stake in Oxford Glycosystems, the first time it has taken a shareholding in a company involved in continuing research.

Other stakes are also held by Monsanto and two venture capital groups, Advent and Alafi Capital.

Oxford is able to take a bigger role in exploiting its research because of the abolition of the monopoly of the results of Government-funded research previously held by the British Technology Group.

The university receives about £30m a year in research grants and contracts, of which about £17m comes from UK research councils and Government departments, with the bulk of the rest from industry and charities.

JOBS

What headhunters owe to blighted recruits

By Michael Dixon

UNTIL this week the Jobs column believed that the prime motto for anyone considering changing employers should be: "Look before you leap". But I have just been convinced that those words are far too weak to be a sufficient warning of the risks such a change involves. The motto should really be: "Take nothing for granted at all".

What has convinced me is a letter from a reader in a pickle, who wishes anonymity for all concerned therein. Feeling it was time for a move he recently approached several of the better known executive-recruitment consultancies, one of which came up with what looked to be just the job. He will now continue the story himself.

"I was placed in a company that was a corporate start-up for an entrepreneurial person who the consultancy informed me was extremely wealthy and very successful.

"Six weeks later I and another colleague who went through the same process a fortnight ahead of me have realised that the company in which we have been placed has no money, and nor does the supposedly wealthy individual. The whole thing is in fact a complete pack of cards. The only good news is that the headhunters' bill of £34,000 remains unpaid (there is £500 in the company account)."

Having been left "somewhat inconvenienced and out of pocket", he asks what a decent recruitment consultancy ought to do in such a case.

The question is perplexing. My own view has always been that a change of job is in the end a deal between two buyers, employer and recruit each in effect purchasing what the other has to offer. In which case, both surely have a responsibility to abide by the priniciple: "Let the buyer beware".

But the position is of course much complicated when a third-party recruiting concern is involved. For instance, to what extent might either employer or candidate rightly expect the intermediary to check that the other's claims are fair?

Certainly most recruitment consultancies evidently pledge that, if they should happen to be instrumental in selling an employer a pup, they will compensate by finding further, suitable candidates without fee. Hence it is only just that, if they help to land candidates in a similar mess, they should find them further, suitable jobs free of charge.

That, however, is easier said than done. For one thing the consultancies are more likely to prove successful at finding people suited to jobs – which is what they are in business to do, than finding jobs suited to people – which is not.

So some guaranteed money compensation would seem due to the blighted recruit. And in my view, the payment should be greater if the consultancy is of the search variety that took the initiative by inviting the candidate to consider the job, than if it was the candidate who (like the unfortunate reader in the case) made the opening move.

US pay levels

NOW to the table alongside which, for the first time in this corner of the FT, provides indicators of top-management pay in the United States. The figures come by courtesy of Arthur Young International which, although the survey from which they are taken will not be published until later in the month, has made them available to the Jobs column's readers in advance.

Unfortunately, all I can give is averages for chief executives and heads of five important functions. Anyone wanting to know about the full survey, which will of course contain far more data, should contact Melanie Abrams of Young's office at 7 Rolls Buildings, Fetter Lane, London EC4A 1NH; telephone 01-831 7130.

The first column of figures shows the basic salaries, and the second the bonus payments which are largely of the results-related kind. Next come the total rewards received in cash, then the percentage of the total made up of bonuses.

I have converted the US averages into sterling at the London market's closing rate on August 25 – \$1.6995 to £1 – and, to provide some basis for comparision, linked them with corresponding averages for executives of similar rank and kind working in the United Kingdom for companies with a turnover of £500m or more.

The UK figures are taken from a totally different survey, the one made for the British Institute of Management this year by the Remuneration Economics consultancy (51 Portland Rd, Kingston-upon-Thames, Surrey KT1 2SH; tel 01-549 8726). Consequently, even though the date of both surveys was January 1, the comparisons are at best exceedingly loose.

Nevertheless it is safe to say that, the engineers apart, the Americans' living standards depend significantly more on incentive bonuses than do those of the British. Indeed, Arthur Young reports that the share of US executives' pay tied to performance is now greater than ever before.

AVERAGE PAY OF US AND UK TOP MANAGERS

Position and country		Basic salary £	Bonus £	All cash rewards £	Bonus as % of all
Chief executives	US	177,313	87,269	264,582	33.0
	UK	116,793	13,581	130,374	10.4
Finance	US	81,175	31,867	113,042	28.2
	UK	65,138	12,177	77,315	15.7
Marketing & sales	US	66,750	19,279	86,029	22.4
	UK	56,592	5,190	61,782	8.4
Production	US	62,230	20,818	83,048	25.1
	UK	53,879	12,642	66,521	19.0
Personnel	US	54,604	15,893	70,497	22.5
	UK	50,804	8,071	58,875	13.7
Engineering	US	53,074	13,472	66,546	20.2
	UK	44,994	14,398	59,392	24.2

Mixed bunch

LASTLY today to three jobs offered by members of the Anthony Nevile International recruitment concern. Being unable to name their clients, they promise to honour any applicant's request not to be identified to the employer at this stage of the proceedings.

Mr Nevile himself is dealing with two of them from his office at 31 Castle St, Farnham, Surrey GU9 7JB; tel 0252 711311, fax 0252 733120.

The first is for a business development chief, director-designate, with a London area communications company. The recruit will be responsible for finance strategy, including mergers and acquisitions, and for developing financial systems. Candidates should have success in like work, and experience of launches on the unlisted securities market. Pay £65,000 with equity share.

The other, also based near London, is for a top marketing manager skilled in leading the Europe-wide marketing of fast-moving consumer-goods to win Continental sales for a UK group. Fluency in German and French desired. Salary about £30,000, car among perks.

Graham Walker, Nevile's consultant in Scotland, seeks a general manager there for a group's subsidiary producing "geotextiles" for use in civil engineering and construction. Candidates should have been responsible for the commercial and technical development, as well as the manufacture of such materials. Salary around £25,000, benefits include a car. Inquiries to 69 Midton Rd., Ayr, Scotland KA7 2TW; tel 0292 287969, fax 0252 733120.

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Appointments Advertising

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The ideal candidate will therefore need a sound track record in operations management together with a well-developed commercial sense. the ability to look outside the settlements function is essential, to be able to see it in the context of the whole company. Previous experience of developing and implementing computerised systems would be an advantage.
Please write in confidence, quoting reference SHA 1161, to Jane Woodward at the address below.

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MANAGEMENT

Chemicals

How Europe's big four are spending on R&D

By Peter Marsh

In the chemicals sector in Western Europe big is certainly beautiful. The four largest companies – BASF, Hoechst and Bayer of West Germany and Britain's Imperial Chemical Industries – are each industrial giants with annual sales in the £11bn-£12.5bn range and with interests encircling the world.

The companies have recovered strongly from the recession at the turn of the 1980s when demand for bulk chemicals such as standard plastics and fibres fell away and competition became unbearably tight.

In the past few years, the companies have focused resources on specialist, relatively high-value areas where competition is less strong and where they can sell products on the basis not of low prices but of solving particular problems.

Closely bound up with this change have been new methods of managing research and development (R&D). The goal has been both to focus this activity on the most promising areas of commercial exploitation and to bring the research results more quickly to the market place.

In parallel with these moves has been a tendency to decentralise R&D to ensure more of it is done in harmonisation with marketing and operating divisions and also to tie it in with developments in countries away from the companies' domestic base.

This last issue has become especially important as all four companies have increased significantly the geographic spread of their operations over the past decade, putting more emphasis in particular on activities in North America and Japan.

An examination of the four companies' research strategies starts with the sheer size of their R&D operations. Between them the companies employ 48,000 people on R&D and spend nearly £2.5bn a year on this activity.

The thrust of the work at the four companies has changed in the past decade to emphasise what the chemicals industry regards as growth areas. These include, for instance, industrial fibres, polyurethanes, coatings, high-quality engine oils and high-value plastics for applications in aerospace and consumer goods.

The starkest change has been in biology-oriented research linked with agrochemicals and pharmaceuticals. These areas, in the case of ICI, Hoechst and Bayer, account for about half of all R&D, compared with about a third a decade ago when the bulk areas of chemicals like fibres and basic plastics dominated R & D.

BIG FOUR R&D

Hoechst. 1987 R&D spend – £880m; 6 per cent of sales; 14,000 people in R&D. Centralised research policy, half R&D workers in Frankfurt. 56 per cent of research aimed at biological sciences, 17 per cent materials.

Bayer. 1987 R&D spend £720m; 6 per cent of sales; 12,000 people in R&D; 20 per cent of research in US, 65 per cent Germany, 12 per cent in rest of Europe. Healthcare accounts for 25 per cent of R&D, agrochemicals 25 per cent, information technology 19 per cent; polymers 17per cent.

BASF. 1987 R&D spend £500m; 4 per cent of sales; 12,000 people. About three-quarters of researchers in Ludwigshafen. R&D aimed especially at biological sciences, specialist materials, polymers.

ICI. £480m R&D spend; 4 per cent of sales; 10,000 people in R&D. 52 per cent biological sciences, 22 per cent materials. 70 per cent of R&D in UK but trying to increase presence in other countries.

In the case of BASF, which conducts only about a third of its research in biology-based areas, the switch has been somewhat less, largely due to the fact that BASF is a much smaller player in the pharmaceutical industry compared with the other three concerns.

Techniques for deciding on areas of research emphasis vary between the companies. ICI has several loosely organised scientific committees which attempt to look ahead to decide which are the relevant areas for the future. Hoechst relies on more formal monthly meetings which bring together marketing and research people from the company's different divisions. Out of these gatherings comes an agreed research programme – which is changed every year – for each division.

There has been a marked swing towards ensuring scientists operate in close collaboration with marketing and production colleagues. "A researcher today has to work far less in a vacuum than in the past," says Denys Henderson, ICI's chairman. Henderson also points to a tighter focusing of R&D resources. "In the 1970s we wasted money by spreading our (research) cash too widely."

To at least some degree, all the companies have introduced structures whereby senior research people, as well as supervising scientific programmes, are also part of a business team concerned with aspects such as marketing and production.

Arrangements of this kind are particularly well established at BASF, where researchers in areas such as engineering plastics and printing chemicals are involved in formal discussions with marketing colleagues on how to bring research work to the production stage. "We find this is a good way to concentrate on goals and targets," says Franz Brandstetter, head of R&D in BASF's engineering plastics division.

Policies of this kind may not always be easy to enforce. Scientists are often emotionally unsuited to group activities and would rather work away on their own, according to Günther Kinast, a research co-ordinator at Bayer. "The research people may not like talking to the marketing staff but you have to keep asking them to do it," says Kinast.

Dieter Schorning, a research manager at Hoechst, says the company has to have the power to assemble on a reasonably fluid basis groups of people from different disciplines to work on specific projects. "Research today is about teamwork," says Schorning.

Superconductivity provides one example where Hoechst brought scientists in areas such as physics, chemistry, ceramics and information technology to work together.

All four companies make a distinction between relatively long-term research which is paid for out of corporate R&D budgets, and short-term, results-driven work done at the behest of operating divisions. The former area is generally characterised as unfettered research, while the latter is more likely to be development. In all the companies the balance between the two kinds of work is roughly 20:80 in cash terms.

Where BASF and Hoechst differ from the other two companies is that they have a much stronger centralised structure for their research. In these cases half or more of all research staff work at company headquarters either at Ludwigshafen or Frankfurt. In the case of Bayer and ICI the research staffs are more geographically spread.

Both these companies stress the usefulness of having research activities in a variety of locations where research people may be better placed physically to liaise with customers.

Hermann Strenger, chairman of Bayer, is especially keen to boost his company's research involvement in Japan where the company does only about 3 per cent of its R&D, a figure he would like to see rise to 10 per cent by the mid-1990s. Strenger reckons that by doing this Bayer can pick up a lot of good ideas from the promising work taking place in Japan in areas like agrochemicals and drugs.

ICI, too, is encouraging the further spread of its research resources. It has in the past year opened up three new technical centres in the US and one in Japan to concentrate on new electronic and structural materials.

Sir Charles Reece, ICI's research director, says the proportion of the company's R&D that takes place in Britain will probably fall from 70 to 60 per cent over the next decade. "Britain is a good place to do research but not necessarily development," he says. "We have to get this last activity nearer the market place – which is increasingly outside the UK."

Another general tendency on the part of all the companies is to speed up R&D projects so as to get new product ideas into the market place ahead of rivals. This may mean more parallel studies involving, for instance, tests on a new drug for toxicity and efficacy, rather than waiting for the results from one piece of work before starting another. The policy carries risks of wasting cash on a series of studies into a product that never reaches the market, but increasingly this is the price the big four companies say they have to be prepared to pay.

Managers have to heed the psychological pressures that may affect the way their research teams operate. A scientist, for instance, could become badly demotivated if he or she works for years on a research programme that is ended without a product appearing. "The main problem scientists have to live with is frustration," says Bayer's Kinast.

Another difficulty, paradoxically enough, is if scientists become too carried away with turning their creative energies into products that they are trying to put onto the market quickly. As a result they shy away from doing anything truly innovative.

"For research people it can be a major incentive to develop products that are sold," says Hans-Uwe Schenck, who is in charge of life sciences research at BASF. "Short term success can be very rewarding. We may be faced with the task of attempting to remotivate people to spend more time thinking long term."

For all the efforts the companies have made in honing their strategies for R&D, everyone knows that luck plays a big part in deciding whether a marvellous scientific idea turns into a big-selling product or a flop. Few research managers are deluded into thinking that they can forecast the shape of future advances or how they will work their way into the market.

The qualities a chief executive needs

Alan Cane on leadership in the future

John Thompson, chairman of European operations of the Index Group, an international management consultancy based in Cambridge, Massachusetts, paints a clear – if daunting – picture of the qualities he believes chief executives will need if their companies are to survive the challenges of new competition and technological change in the next few years.

Leadership of a high order is the first priority, he explains, combining a profound understanding of the way technology can be used to generate new business opportunities with the courage to challenge accepted ways of doing business.

Obvious enough, some might say, but such a conclusion does scant justice to the underlying analysis, built up over 15 years with Index.

Thompson's qualifications to make such an analysis are impressive. British-born, he was earlier this year voted one of the top 10 management information systems consultants in the US in a poll carried out by Information Week magazine.

Business leadership is one of Thompson's chief preoccupations. He believes that there are too few chief executives around with the right combination of leadership qualities to enable their companies to weather the storms ahead.

While he accepts that there is a world shortage of executives with the right stuff, he argues that the UK is particularly disadvantaged, the result of an educational system poorly tuned to business needs.

"Leadership," he says, "is not about management skills or about technical competence. It is about paradigms, mental models of the business. The executive exhibiting true leadership must constantly re-create the organisation, challenging the existing ways – and that takes real courage."

He sees two major trends in the way companies are using information and information systems today. First is emphasis on controlling the "channels", the links between supplier and customer.

Studies of the effect of information technology on business over the past few years have tended to focus on a few well-known case histories – American Hospital Supply Corporation, for example, or American Airlines.

For the most part those studies dealt with the use of technology to "lock up the channel"; a supplier, for example, provides clients with a telecommunications network to facilitate the ordering of goods, going on to agree to provide the client with a range of goods from other manufacturers provided the network is used to make the order.

The power of such systems is now well understood, Thompson says, not just by an elite but by a wide range of businesspeople. The ground rules are becoming recognised: know your customers, ease their operations and form strategic alliances to benefit them.

"People are now aggressively looking at their manufacturing, sales and distribution to see how information technology can be used to transform the way they do business – and the single European market in 1992 is accelerating that process," Thompson concludes. "It is difficult for any company to think about its European strategy without considering its channels of distribution."

Second, he says that senior executives are saying "enough is enough" where their existing data processing systems are concerned. They feel impotent and frustrated because their ability to change their existing systems is limited by massive investments in hardware, operating software, applications software and people.

"There are constant worries about the cost of it all, the realisation that half of it is junk and of the difficulties of throwing it all away and starting again from scratch."

A typical example is banking systems which treat customers as a series of accounts identified by account numbers rather than as humans with names and a series of accounts to that name. All the major banks are spending huge sums of money and vast amounts of time changing their traditional account-based systems to customer-based versions which can be used as the basis for new marketing initiatives.

"Success in both of these areas requires leadership and too often it is just not there. Management is easy; leadership is difficult. It requires a breadth of thinking in which few people are schooled."

TECHNOLOGY

The bottom line for phone bills

Telephone bills are often a cause of dissent. Last year nearly half the 24,000 complaints about British Telecom made to the Office of Telecommunications (Oftel), the UK's telecoms watchdog, were about billing.

The vast majority of them came from domestic telephone subscribers, who claimed they had been overcharged.

But Oftel has found a high degree of accuracy in BT's metering of calls. Preliminary research done by Oftel engineers shows that at any one time only one in 5,000 meters gets it wrong. And in most cases, the meter stops working, which means the subscriber gets extra calls free of charge.

For business users the mistake is usually in the number of telephone lines or the amount of equipment being rented, such as telephones or private telephone exchanges (PABXs).

When the error involves a large bill and is compounded over a period of time, as in the case of S & W Berisford, the food manufacturing and commodities trading group, it can add up to a lot of money: Berisford was overcharged by £239,000 over 18 months.

John Hunter, managing director of Octagon Telecommunications Services, the company which discovered the error in Berisford's bill, says it is getting more difficult for companies to sort out billing problems.

"The cost of people's phone bills is going down because of competition. But the downside is that management has to put in more effort because it now has so many suppliers," says Hunter. "Companies used to rent their telephone lines, telephones and PABX from BT. Now they get their lines from BT and Mercury, their PABX and phones from private suppliers and they have mobile phones or radio-paging to deal with as well. So it is far more difficult to work out whether your phone bill is right or not."

Oftel is pressing BT to introduce itemised billing for all its customers – as Mercury Communications does. This would enable the customer to compare a list of calls made with the telephone bill.

Until itemised billing is commonplace, call-logging equipment, which is incorporated in the more sophisticated telephone network management systems, does the same job for business telephone users. This equipment, attached to the PABX or office telephone system, keeps a record of all the calls made by each extension on the network.

As well as identifying which extensions are making too many calls to exotic locations, the system can indicate which extensions are being used too infrequently to be needed. It can also help customers to calculate whether they should be using the public telephone network or dedicated leased lines for certain calls.

"The telephone system is the last unmanaged thing in businesses," says David Bacon, UK Sales Manager for Systems Reliability, one of the UK's leading network management companies. "Network management systems can help you sort out billing problems because they provide you with a means of verifying your phone bills."

In the UK, call-logging systems have now been developed which can analyse both BT and Mercury telephone lines. Their cost ranges from £1,000 to £1m, depending on the size of the telephone network involved.

However, these systems will not tell a company whether it is being charged for too many telephone lines or too much equipment. To solve that problem Octagon is launching a software package called Asset Manager, which is aimed at companies with telephone bills of £250,000 a year or more. The package works on anything from an IBM personal computer to a mainframe.

The Asset Manager database keeps an inventory of all the telecommunications equipment, lines and services at a single site or on several sites belonging to a network. It also stores information about charges. So when a telephone bill arrives the company can compare it with the result from its system.

Every time call charges change, the database is updated. Asset Manager can be bought in four modules, for public network services, private network services, site equipment and mobile equipment. It costs from £6,000 to £20,000.

Della Bradshaw

Plessey's 'hyper-complex' vision

Della Bradshaw assesses the long-term goals that have prompted the UK electronics group to purchase companies with complementary technologies

Five strategic areas: that was the plan when Plessey's chairman, Sir John Clark, embarked on a corporate shopping spree last year. Now those five areas of electronics are in place: aerospace; computer services; defence; semiconductors; telecommunications.

The City saw the acquisitions as a series of defensive moves to fend off a hostile takeover bid. It also questioned the wisdom of expanding into computer services and was sceptical about the potential for profit in the defence sector. The company, however, asserts that the purchases were part of an overall technology strategy.

The basis for this was the belief that electronic systems would become more complex and more heavily interdependent. Professor William Gosling, director of technology, says that all the takeovers were planned with what he calls "hyper-complex systems" in mind.

At the heart of the electronic systems is microchip technology, hence Plessey's acquisition of Ferranti's chip subsidiary. The developments will also make big software demands, one of the reasons Plessey decided to launch a £164m bid for Hoskyns, the UK computer services and facilities management company.

The Hoskyns acquisition also gave Plessey its fifth business area: service provision rather than equipment manufacture. Gosling believes the falling price of computer hardware coupled with the increasing complexity of electronics systems will encourage companies to use third parties to organise and run their electronic infrastructure. "If you're a mechanical engineering company then you want to concentrate on mechanical engineering, not on facilities management."

Plessey is planning to limit its holding to between 70 and 75 per cent of the shares, so that Hoskyns can retain its separate Stock Exchange listing. Plessey's theory is that an independent company is more likely to win facilities management contracts with organisations that have equipment from several vendors. Independence is also likely to reduce the exodus of highly trained software engineering staff.

The philosophy of buying in complementary technology is not unique to Plessey. It was behind such moves as Ferranti's merger with the US defence firm International Signals.

Mike Rappolt, chief executive of consultants PA Computers and Telecommunications, points to several large technology companies, including IBM, which are following a similar strategy. "I also believe that was behind British Aerospace's decision to buy the Rover Group."

Rappolt agrees with Gosling that more complex and integrated systems are the way forward. However, he warns about the difficulty of "back-engineering" – taking two mature systems and trying to re-engineer them to talk to each other. "Back-engineering is a very difficult trick to pull off, because the systems have not been engineered to any specific standard."

Plessey's recent acquisitions fit in neatly with the theory of integrated systems.

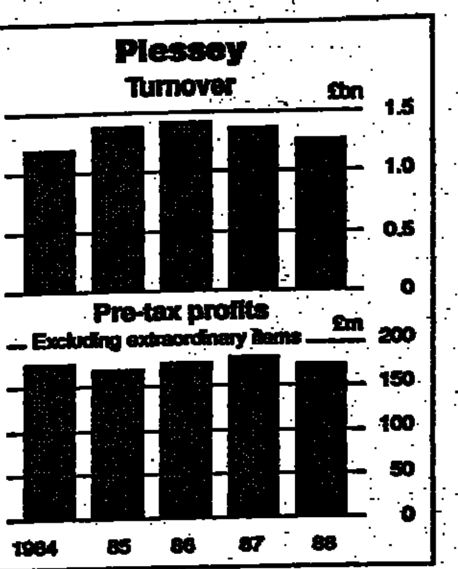
- A few weeks before the Hoskyns bid, Plessey agreed to acquire Singer's Electronics Systems Division (ESD), which gives the company aerospace technology in airborne command and control systems. Singer ESD is the US Airforce's prime contractor for a system that passes information between aircraft, called the Joint Tactical Information Distribution System (JTIDS).

Plessey already has experience in naval command and control systems and in land-based ones through its Ptarmigan communications system for the British army. It plans to use the Singer ESD acquisition to develop interworking ground-to-air and air-to-sea command and control systems.

- The company is also planning to integrate the aircraft management technology, which it gained with the Canadian firm Leigh Instruments in March 1987, with the Singer ESD technology.
- The purchase of the special defence and industrial activities part of Fisher Controls, which in turn is part of the Monsanto group, bolsters its interests in measurement and control systems. Plessey Controls already supplies such systems to both military and civilian markets.
- In the defence sector, Plessey decided last November to expand its anti-submarine warfare capabilities when it bought the American company Sippican. Sippican is a specialist in expendable items such as sonar buoys, listening devices which are dropped from aircraft into the sea. Its product line complements Plessey's towed-array sonar technology (buoys which are towed behind ships to listen for underwater noises.) Plessey bought in that technology when it acquired the small British firm Ameeco Hydrospace three years ago.

"Anti-submarine warfare used to be ships with sonar on them. Now it's a more complex collaboration between a number of ships and aircraft controlled from a central point," says Gosling. "Sippican is a brick in that network. As you can see, we're groping towards being able to put together these hyper-complex systems."

William Gosling



ACQUISITIONS

Name	Date	Price	Business
Fisher Controls SDIA	August 1988	£4m	Instrumentation
Hoskyns	July 1988	£164m	Software house
Singer ESD	July 1988	$310m*	Aerospace/communications
Leigh Instruments	March 1988	£45m	Aircraft management
Ferranti Semiconductors	February 1988	£30m	Semiconductors
Sippican	November 1987	$80m*	Anti-submarine warfare equipment

Gosling is confident that the strategy is right. "The technology mix is excellent – if you believe in the future of hyper-complex systems."

In the City there is less optimism. Plessey's decision to sink its cash into defence companies has been seen as a necessary evil, even though defence is a low growth area. GEC, of the UK, Thomson, the French state-controlled electronics group, and several of the large American defence contractors already have the in-house ability to build systems which incorporate a number of technologies. Plessey had to buy in the relevant technology to compete. The only alternative was to get out of defence.

But its decision to buy into computer services, a new area of business, has been greeted with confusion, particularly about the role envisaged for the software house. The high price tag on Hoskyns may indicate that its value to Plessey lies partly in the scope it gives for further purchases, probably in the computer software area.

Gosling confirms that. "There are several possible scenarios. Plessey could buy another service company; Plessey could grow to become a service company; or Hoskyns could buy another company."

Another possibility is that Plessey could use Hoskyns to move into commercial rather than military communications systems. As telecommunications liberalisation gathers pace in Europe, Hoskyns could run both computer-based telephone networks for multinationals on a third party basis, and commercial value added data networks which a number of clients would use.

That would be an important advance in the light of Plessey's decision to put all its telecommunications manufacturing operations into the joint venture companies, GPT (in which its partner is GEC) and Orbitel (the mobile radio venture with Racal.) A move into telecommunications operations would be welcomed by the City in the wake of Racal's success with cellular radio.

Gosling says that it will be essential for old and new companies within the group to exchange information about future products.

Plessey Semiconductors will see product developments from the new divisions up to 18 months before rival companies, and so should be able to engineer chips for those systems ahead of its competitors. Similarly, Singer ESD and Leigh Instruments will get a preview of advances in semiconductors. The joint venture companies will have access to the chip technology at the same time as the wholly owned divisions.

In addition, Plessey provides research work for GPT and Orbitel. Gosling says of the two companies: "They've got separate marketing perceptions and build separate products. When they attack the same market they do so from a different viewpoint."

However, he does admit to some duplication with Hoskyns. Plessey's information engineering division, at Addlestone in Surrey, with a turnover of between £10m and £12m in facilities management, will eventually become part of Hoskyns, he says.

He is highly critical of the McKinsey report on the future of the UK electronics industry, published by the National Economic Development Council (NEDC). The report lambasted Britain's leading electronics companies for lacking strategic control over their divisions and being too reliant on low growth areas, such as telecoms and defence – both crucial to Plessey's business.

Gosling counters by saying that not all aspects of defence are low growth areas. "For example, in a post-treaty era the need for surveillance equipment could grow."

The criticisms of management, he says, do not relate to Plessey. "The board primarily looks at the strategic issues. It was a central decision that we would concentrate on hyper-complex systems. What we have to do is make sure that the individual companies' strategies stay aligned with the strategy of the group."

However, Gosling does have some sympathy with the authors. "I think what lies behind the report is the view that all those video recorders in homes around the country shouldn't be Japanese. I sympathise with that. European companies have lost a lot of the home entertainment business, but Plessey never sought to address that market."

Although the five key areas are now in place, Gosling does not rule out the possibility that other companies could be acquired. "We haven't lost our cheque book yet."

هكذا من الأصل

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ARTS

Formula drama bodes ill for the future

I offer no apology for returning to the question of what is happening right now to British television as a result of Thatcherite plans for the industry in the nineties. Nobody knows what the future holds for satellite and cable in Britain: perhaps they will be a huge commercial success and perhaps there will be greater programme diversity than ever before. On the other hand perhaps standards will be driven down in a vicious ratings battle and many millions (many *more* millions) of pounds will be lost. What seems unmistakable is the effect which is already occurring on our screens.

With paranoia and depression spreading among the programme makers as Thatcherite thinking throws doubt on the preservation of the very foundations of the business – the BBC licence fee, the ITV system, Channel 4's remit – there is an almost universal consensus about the sad effects upon programme quality. At the Edinburgh Television Festival only one or two voices were raised in defiant optimism against the background drone of dispirited commercial pragmatism.

Steve Morrison, promoted fairly recently to Director of Programmes at Granada, remarked that the industry was suffering from the pain of anticipation: "There is a cloud of gloom and fatalism hanging over us. We all seem to agree that things will get worse and there is nothing we can do about it." Yet he disagreed, claiming "We don't have to jettison all our higher quality ballast just in order to fly higher in the sky."

He made four suggestions aimed at avoiding the widely predicted collapse of standards. First that Channel 5 should be devoted to local television supported by local advertising. Secondly that in a subscription system "a few people may pay a lot for what they want." Thirdly that international co-production should be encouraged. And finally: "I cannot imagine a Conservative government, particularly one under Mrs Thatcher's moral leadership, would want ITV to abandon its commitment to three hours adult education a week, two hours religious programming, over two hours factual programming in peak time, and many hours of national and regional news and current affairs. Surely then the Government ought to oblige any new land-based channels to uphold the same standards."

As debating points none of them can be easily dismissed. The trouble is that they may already be irrelevant. Mr Morrison's counterparts in other ITV companies already have their contingency plans to slim down and even abandon education, religion, and peak time current affairs, if (when) the going gets tough. Channel 5 could be devoted to local broadcasting without having much effect upon the terrestrial/celestial battle among the big boys; and subscription will work only if satellite and cable systems can be made to pay in a big way.

Meanwhile, before any of them have got off (or under) the ground, the existing system and existing programmes are changing. Consider big-budget drama during the past week. *Out Of The Shadows* was a 110-minute ITV travelogue thriller with Charles Dance playing a detective, and a young American actress named Alexandra Paul as the naif from the US embassy who falls in love with him. The opening words on the glossy promotion folder are: "Mediterranean passion, international crime, and sudden death, produce the perfect recipe for an irresistible romance set among the sun-baked Greek islands." The key word is "recipe."

This is formula drama: safe, predictable, easy on the eye, bereft of any ambition other than international sales, indistinguishable from the previous dozen television thrillers shot on Mediterranean locations. There is nothing terribly wrong with it (though the script is slow, the direction ordinary, the acting never more than competent) and if you were stuck for 12 hours in an airport lounge you might watch it for half an hour as a break from reading the latest soft-porn paperback by Shirley Conran.

There is no reason why television should lack its share of such glossy, mindless, repetitive, time-fillers given that there are plenty of viewers who seem to want such stuff. The danger is that we shall not be offered anything much else. All Creatures Great And Small, the popular series about Yorkshire vets which the BBC began 11 years ago, returned with yet another series on Saturday. It is better directed than the Charles Dance vehicle, better acted, has a slightly better script, and there are one or two wry and telling jokes about character. But this too is created to a rigid and familiar formula and is primarily concerned not with any artistic truth, nor expression of a powerful individual voice; its chief concern, again, is ratings.

Sunday brought three big budget productions. *The Attic – The Hiding of Anne Frank* was yet another version of the familiar story, which was re-told so recently by the BBC as a Sunday teatime serial. This time Anne herself was virtually ignored, and sentimentalised on the few occasions when she did appear. Events were observed from the standpoint of Miep Gies, who helped hide the Frank family, and so Miep was played by American star Mary Steenburgen.

She was competent enough, though lacking any flair or personal vision; the Nazi half-tracks and Amsterdam locations looked good; the names of Paul Scofield, Eleanor Bron and Ronald Pickup presumably add a touch of class to the sales brochure; and another two hours in the ITV schedule has been filled with material wholly acceptable to Lord Rees-Mogg and Mary Whitehouse: nothing fresh, nothing new, nothing in any way worrying or stretching.

I'll Take Manhattan is an American mini-series cloned off *Dallas* but set in New York and London. This time the transatlantic casting is the other way about: Francesca Annis is the token Brit and (so far) she has been given most of the token sex scenes: being peeled out of a white silk negligee, having it off in a phone box – well, almost – and so on. It is marginally less erotic than the "Jane" strip in the Daily Mirror, though the clothes look more expensive. There is absolutely nothing to choose between it and any episode of *Dynasty, The Colbys* or *Knots Landing*. It will sell, if it has not already sold, all over the world.

Significantly the two dramas standing outside this stream of schlock were both BBC productions. *Between The Cracks* offered us the experiences of some of those who "inhabit the cracks in Thatcher's wealthy Britain." You could not call it formula-ridden or familiar, but nor was it particularly impressive, and it was clearly produced on a fraction of the budget provided for the dramas described above.

Across The Lake written by Roger Milner, produced by Innes Lloyd and directed by Tony Maylam, was the nearest thing in the week to a truly original piece of drama which actually had something to say. What it said was that Donald Campbell was a charming womaniser whose obsession was not speed so much as records, and who was driven – to his death eventually – by the need to live up to the image of his father. It was well acted and well directed.

If all this week's television dramas had been shown in a cinema, and you had sent a friend to sample them and asked "Are any of them worth the price of a seat?" this is the one to which he would have said yes. Yet even *Across The Lake* (a BBC production In Association with Challenger Investments) was a highly commercial piece of work of a pretty familiar sort.

British television drama has rested its laurels for an ominously long time on *The Singing Detective* of 1986 and *Edge of Darkness* from 1985. If we are not to conclude that fear of the television star wars to come has already knocked all the vigour, all the spirit, all the risk and excitement out of big-budget drama production in Britain and replaced it with safe, international formula drama, then something notable needs to happen pretty quickly.

*There is no reason why television should lack glossy, mindless, repetitive time-fillers given that there are plenty of viewers who seem to want such stuff. The danger, **Christopher Dunkley** argues, is that we shall not be offered anything else*

David O'Hara, Diane Fletcher and Nigel Terry

Alastair Muir

The Bite of the Night

THE PIT, BARBICAN

Even by Howard Barker's own uncompromising standards, this is a sternly demanding evening of bunker theatre in the aftermath of war, dispiritingly bolted to the Barbican vaults in the wretched Pit.

Those cavils stated, Barker's Bite (no worse than a biter's bark) is a work of rambling, often ecstatic, significance in its attempt to wrestle to the ground the classical mythology of Ancient Greece. Like it or loathe it, there is no question that this is one of the boldest theatrical ventures of the year. Like Botho Strauss's *The Park*, it initiates a culture clash between past and present while conducting an illustrated debate on the nature of violence.

The setting is a ruined university, but also a burnt-out Troy at the end of the ten year siege by the Greeks. Savage (Nigel Terry), a classics scholar, goes in search of Homer and Helen bearing on his back his father, just as Aeneas bore Anchises through the flames. Finally, Savage, whom Terry projects as a steely, dangerously genial, bespectacled amalgam of Marlowe's Faust and a pedantic sycophant, will be reunited with Creusa (the name of Aeneas's wife) on a large bed-cum-funeral pyre strewn with hacked limbs, this a direct parody of Odysseus's reunion with Penelope at journey's end.

Homer himself (Mark Dignam) is a blind poet, impotent and uninvolved, whose unwritten account of atrocities ("I didn't think there'd be a public for such a song") Barker has unearthed. Excavation as an act of scavenging iconoclasm.

Casting himself in his usual role of a carelessly anarchic historian, Barker even resurrects in an epilogue the 19th century archaeologist Schliemann (John Carlisle) in order to ridicule the official research programmes. In a delicious final swipe, Schliemann the intellectually aloof guide picks out the questing, ignoble Savage in his party: "Are you on the tour?"

In the jumbled storm of Barker's imagination, Troy is both metaphor and melting pot. His stew is stirred by a vaudevillian soap boiler, Macluby (Clive Russell), a dealer in essences, who warns us not to find anything we expect. Away, he chants, with clarity, meaning, logic and consistency. Savage goes to Troy with a recalcitrant pupil (David O'Hara in spellbinding form) having dismissed his son (a mixture, it turns out, of Ascanius and Telemachus) to the world of commerce.

This boy, played with a Scouse insouciance by Jimmy Gallagher, finally produces a soap of hyacinth redolent of the laurel Penelope gives Odysseus, though the "essential Helen" evades everyone.

Here we come to it. Barker's Helen is the character who dominates the play, even as successive violations leave her an ageing torso on a trolley. In his 1980 RSC ten-play marathon *The Greeks*, John Barton included Euripides' satire of an absentee Helen sunning herself on an Egyptian sarcophagus. Barker wishes to refute the vain siren image later peddled by Marlowe and Goethe and presents Helen's eroticism as a source of political power.

The core of this play shows how Helen is pushed from pillar to post by the Greek occupiers (a well characterised bunch of terrorist thugs played by Gordon Case, Sean Baker and Steven Elliott) and systematically dismembered. Once the Menelaus figure, Fladder (Michael Cadman), has his tongue removed, Helen loses legs, then arms, then breasts, but never her dignity.

Diane Fletcher plays Helen with a power and magnificence that relates the role directly both to classical notions of stoical endurance and to the war victims of Brecht and Edward Bond. With cropped hair, a mocking delight in her own sexuality and a fearless incantatory delivery, Miss Fletcher plants the riveting notion that Helen was less the cause of a war than its very terrain.

The education of Savage is less clearly charted, and Danny Boyle's otherwise confident production, played in a grey void around four charred stumps (Helen and Troy) designed by Kandis Cook, fails to energise this area. The writing here is fuzzily sententious, too. But the Bondian vignettes of war and death in various Troys of paper, pleasure, babies, illiteracy and cleanliness (more soap), are well animated by Janet Amsbury as Helen's daughter, Darlene Johnson as Creusa and a generally and palpably enthusiastic cast.

If the RSC directorate was equally enthusiastic or daring, the play might have been risked on the main stage it clearly merits. As a contemporary companion piece to Barton's *The Greeks* it should have been given the full treatment. The RSC's own Barker season of three years ago surely indicated the utter futility of sounding off like this in studio theatre conditions of élitist and depressing security.

Michael Coveney

Mamet's film noir is front runner for the Lion

Nigel Andrews battles his way through bureaucratic red tape at the Venice Festival

A common delusion of film critics under stress is that each new festival is identical to the last one at the same venue. Cries of "Surely I have been through these films before?" ring each year down the Croisette at Cannes or the Kurfurstendamm at Berlin.

But there have been moments at the 45th Venice Film Festival when this seems less a delusion than a reality. "Wasn't it *last* year's competition" queries the critic, "that boasted a new Ermanno Olmi film, a new David Mamet and a new Alan Rudolph?"

Yes, it was. But here are all three directors again, bearing new movies. And here once more is the unmistakable Venice atmosphere of Italian bureaucracy hurling obstacles in the path of those trying to see them. The runaway red tape typical of this event was reduced last year, the first under new festival chief Guglielmo Biraghi. But it is back for 1988. The screening times for the Press are wildly inhospitable: the day's two competition films are shown at crack of dawn and late evening respectively. And that is just one instance of Venice's determination to break down critical resistance by logistical exhaustion.

Another way is by subjecting foreigners to trial-by-Italian-subtitle. (The alternative earphone translations in English are unendurable.) But hope is in sight with the introduction for some films this year of electronic subtitling in English. Translated dialogue appears in bright digital read-outs below the screen – like opera surtitles underneath rather than above the action. Gasps of approval went through the audience at the first, unannounced try-out of this technique. May it prosper and spread.

As it happens, the best two films so far have been in English anyway. David Mamet's Things Change and Mike Leigh's High Hopes are both from film-makers with as firm a foot in the theatre as the cinema, and the benefit shows in their deliciously strong projection of story and character.

Things Change is as good as Mamet's debut feature, *House Of Games*, which scooped Best Script prize at Venice last year. Once again, a maze-like plot embroils a group of shady characters. This time an ageing Italian-American shoeshiner (Don Ameche) falls into Mafia hands. He is hired to take the rap for a rich murder suspect, but first he and his out-of-favour Mafioso minder (the splendid Joe Mantegna) decide to play truant for a weekend at a luxury Cosa Nostra hotel on Lake Tahoe. Thereby hangs the tale, with enough comic rope to do the same for the two main characters.

Misadventure and mistaken identities abound; the images flicker with the dark fire of *film noir*, and for his movies Mamet has evolved a wonderful line in Sphinx-like speech patterns. (His laconic screen dialogue is quite unlike the Niagara eloquence that pours forth from his stage characters.) A single shot of Mantegna leaning his head against *a hotel-room wall and muttering "O heck"*, – placed at the perfect point of plot crisis – got a roar of laughter from the Venice audience. With a beautiful veteran's performance from Don Ameche – sly, bewildered, ornately Italian of accent – this movie is already front runner to capture the Golden Lion.

Mike Leigh's comedy of confusion is not in competition at Venice, otherwise it might be highly competitive. Instead it lurks in the no-prizes Critics Week. The director of *Abigail's Party* and *Mean Time* ventures into the lunatic fringe of British society, this time portraying a pair of leather-clad young radicals (Philip Davis and Ruth Sheen) trying to cope with life, with love and above all with Mum (his Mum).

Mum (Edna Dore) is a bit addled. Her chief speciality is locking herself out of her house and falling on the mercies of the champagne-swilling yuppie couple next door, busy importing Sloane Street vowels into the former slum street. The film also *throws* in a *juicily pretentious* sister (Davis's), yards of scatterbrained Leigh dialogue (semi-improvised as ever) and a birthday party climax that is a small masterpiece of social caricature. Actually the whole film is a bit of a caricature: the comedy could use some subtlety now and again. But it is very funny. And to judge by the response of non-Britishers *the fun travels. Leigh bobbed* up and down like a cork on the waves of applause after the screening.

Two other English-speaking movies got more mixed responses. Alan Rudolph's The Moderns is a clever, brittle recreation of life among the glitterati in 1920s Paris (Hemingway and Gertrude Stein included). But at two hours it tends to resemble great gift-wrapping in search of a present.

Ermanno Olmi's The Legend Of The Holy Drinker is a disappointment from the director of *The Tree Of Wooden Clogs* and last year's Silver Lion winner *Long Live The Lady* (opening in London this week). In a Paris stitched together from co-production cliches, Olmi steers Rutger Hauer (bibulous tramp) through a tale of spiritual redemption involving a weird philanthropist (Anthony Quayle), St Therese of Lisieux, and interminable scenes of wine-sodden self-pity. For reasons too complex to explain, Hauer has to pay 200 francs to a church and he keeps losing *the money. I sat stupefied* through the film between two colleagues, and all three of us were willing to advance Hauer the money in order to end the movie.

Patience has been a virtue at other Venice films. Theo Angelopoulos's Landscape Of Mist is the latest journey movie from the Greek maker of *The Beekeeper: a foggy fable of two* runaway children hurled on the mercies of the road and suffering loneliness, existential crisis and bad weather. Turn from this bitter pill and you meet another in Portugal's Hard Times. Joao Botelho's Dickens updating has borrowed the Master's plot and characters but lost his wit and vivacity. Result: two hours of tableaux barely vivants, as exhilarating as a night in Madame Tussauds.

Thank goodness for the US cavalry. The lusty blowing of bugles preceded the arrival of crack troops from Hollywood: including the delightful comedy Big and the animation tour-de-force Who Framed Roger Rabbit. (More on both when they open soon in Britain). And week two in Venice promises the most dramatic American epiphany of all. Martin Scorsese's The Last Temptation Of Christ arrives in town along with its director, and there are already rumours that the Vatican is tying to *head them both off at the pass. Watch this column for further* dispatches.

ARTS GUIDE

Sept 2-8

THEATRE

London

Easy Virtue (Garrick). Transfer of King's Head revival of early Noel Coward, same period but lesser vintage than Hay Fever, but worth seeing. (379 6107).

South Pacific (Prince of Wales). Average, traditional revival of the great Rodgers and Hammerstein musical, with Gemma Craven failing to wash the baritonal Emile Belcourt out of her hair. (839 5989).

The Phantom of the Opera (Her Majesty's). Spectacular, emotionally nourishing new musical by Andrew Lloyd Webber. (839 2244, credit cards 379 6131/240 7200).

Follies (Shaftesbury). Eartha Kitt and Millicent Martin now decorate Mike Ockrent's strong revival of Sondheim's 1971 musical, in which poisoned marriages nearly undermine an old burlesque reunion in a doomed theatre. (379 5399).

Hapgood (Aldwych). New Tom Stoppard mixes espionage, romance and higher physics. (836 6404, credit cards 379 6233).

Starlight Express (Gershwin). Those who saw the original at the Victoria in London will barely recognise its US incarnation: the skaters do not have to go round the whole theatre but do get good exercise on the spruced-up stage with new bridges and American scenery to distract from the hackneyed pop music and trumped-up, silly plot. (586 6510).

Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and *dated* leadenness in a stage full of characters. It has nevertheless proved to be a durable Broadway hit. (947 0033).

M. Butterfly (Eugene O'Neill). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a male Chinese spy. (246 0220).

Speed-the-Plow (Royale). David Mamet applies his biting sarcasm and ear for *the exaggerations* of American language to Hollywood, in this screamingly funny and well-plotted exposé of the film industry. (239 6200).

Stranger Here Myself (Public). Angelina Roux performs two decades of Kurt Weill's songs in a one-woman show covering the composer's careers in Berlin, Paris and New York. (598-7100).

New York

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline. (239 6262).

A Chorus Line (Shubert). *The* longest-running musical in the US has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

Sleuth (Eisenhower). Stacy Keach and Maxwell Caulfield star in the mystery pitting a writer against a mild-mannered travel agent who's stolen his wife's affections. (254 3679).

Cabaret (Wolf Trap Festival). Joel Gray leads the cast in a week-long visit by the revival of the hit musical based on Christopher Isherwood's Berlin reminiscences of the 1930s. (432 0200).

Washington

Les Misérables (Kennedy Center Opera House). The touring company of the international hit of last season brings to Washington the historical sweep of Victor Hugo, set to music and an insistent contemporary beat. Ends Oct 15. (254 3770).

Tokyo

Kabuki (Kabuki-za). The morn*ing programme, at 11am,* includes Kago Tsurube, with Living National Treasure, Utaemon, in one of his most famous roles as a sophisticated courtesan who gulls a country bumpkin. In the afternoon, at 4.30pm, the progamme includes Ii Tairo, a "new kabuki play" set in the 19th century at the time of Japan's opening to the West, as well as one of the most famous works in the kabuki repertoire, Kanjincho (The Subscription List), in which a wily servant outwits his master's pursuers. Opens September 1. (541 3131).

Opera-za no Kaijin (The Phantom of the Opera), Nissei Theatre. Japan's leading musical company, Shiki, acquits itself well in what is a virtual carbon-copy of the London original. The Japanese translation is often awkward, but Andrew Lloyd-Webber's gift for musical pastiche, Harold Prince's romantically evocative staging and Maria Bjornson's stunning sets and costumes make for an enjoyable evening whether you understand the words or not. Ends September 20. (503 3111).

SALEROOM

Top prices for Elton

Elton John, currently adding to his fortune with a tour of the States, became effortlessly richer yesterday as Sotheby's started to sell off the contents of his Windsor home. The effervescent entertainer is not hard up, just growing up.

He has abandoned the attention grabbing, colourfully camp, accoutrements of his youth and is seeking a more sedate image. It is a complete clear out, and judging by yesterday's prices he will be much more than the £3m richer anticipated by the saleroom.

The heroine of the morning sale was Hilary Kaye, the auctioneer, who was at the rostrum for an arduous five hours twenty minutes coping with bids from many first time buyers. Even so those hardy annuals of pop memorabilia sales, Hard Rock Cafes and Seibu of Japan, were persistent buyers. Most prices were way above estimate at the session, which totalled £421,185, double expectations.

Top price was the £17,600, almost three times forecast, paid for a Wurlitzer juke box made around 1940, which played 24 of the dear old '78s. More remarkable was the £12,100 which carried off the giant fibre glass Doc Martin boots, almost five feet high, which Elton wore as a prop in the movie Tommy. They were estimated at up to £1,800 but R. Griggs & Co of Northampton, the manufacturers of Doc Martins, saw their promotional opportunities and went to the limit.

Peter Nahum, the picture dealer, was picking up paintings, paying £5,720, within forecast, for a Bryan Organ portrait of Elton wearing a Marilyn Monroe sweatshirt, and £4,400 for another Organ, this time of percussionist Ray Cooper. The top price was £6,050 for a portrait of Elton by David Oxtoby.

The star's eye catching spectacles went for spectacular prices, Hard Rock Cafe Los Angeles securing a pair with Elton's name illuminated for £9,900. Among the costumes, a "general" stage outfit made by Ret Turner in 1983, in which Elton looks like a Balkan major-domo, trebled its forecast at £6,600.

Among the more sensational bids were the £2,970 from Gus Dudgeon, producer of most of the singer's albums, for an embroidered cushion commemorating "Madman across the water" (it was estimated at £150); £4,180 for Elt's pink Eiffel Tower style boater (estimate £500); and the £1,980 which secured the camisole that Judy Garland wore in "Meet me in St Louis," which was expected to sell for up to £600.

Antony Thorncroft

FINANCIAL TIMES

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Wednesday September 7 1988

Against credit controls

"THE COMBINATION of a stronger currency and lower interest rates does not represent an ideal response to current concerns and a different balance would be desirable if it could be achieved." Thus, in last May's Quarterly Bulletin, the Bank of England revealed its disquiet over an exchange rate at DM 3.18 and base rates of interest as low as 7½ per cent. How much happier it should now be. After all, the exchange rate against the D-Mark has depreciated by 1½ per cent, to DM 3.13 (the depreciation of the effective exchange rate being still greater, at 4 per cent). Meanwhile, base rate has risen by no less than 4½ percentage points.

Nobody seems to be very grateful. Indeed, many seem to believe that the consumer-led current account deficit is proof of how unwise it was to allow people to borrow freely in the first place. Credit needs to be put under tight control, it is argued, for the good of individual borrowers – and for the country's good as well. But there are powerful arguments against such controls.

Prudential regulation

The ability to borrow freely has been one of the better aspects of the present Government's policies. Naturally, freedom implies responsibility on the part of both borrowers and lenders. But this is an argument for careful prudential regulation and, perhaps, for somewhat greater attention to interest rate stability than in the recent past.

The latest National Institute Economic Review contains a discussion of the problem of controlling household credit, which concludes that "changes in financial markets and institutions make it very unlikely that the sort of credit controls used before 1980 . . . would be effective in restraining the growth of household credit if reintroduced today." This does not mean that some controls could not be made to work but it would be "just as wrong to assume that their implementation could be smooth or costless."

Most important of all are the long term consequences of controls. Present difficulties are in large measure the consequence of past controls, which make it difficult for policy-makers to judge the extent to which the rapid growth of monetary aggregates represents a natural "remonetisation" of the economy. Equally, the difficulty for many individual borrowers in determining how much to borrow is a predictable result of their lack of experience. For these very reasons, it is difficult to lift supposedly "temporary" controls. But can a return to permanent controls be desirable, especially after the UK has gone so far to adjust to their removal?

Extreme emergency

It is true that a policy of differential taxation of credit does not face quite the same objections. None the less, one must guard against the supposition that it is good for an industrialist to borrow to build a factory to produce video-cassette recorders, but bad for a consumer to borrow to buy one.

In short, controls on credit – even differential taxation of credit – can be justified only by an extreme emergency. That the "go" of the Lawson boom will be followed by a sharp slowdown or even a "stop" is quite likely. But that slowdown will occur naturally. For counter-inflationary reasons, sterling cannot be allowed to decline faster than would be implied by a sensible interest rate differential *vis à vis* the UK's major trading partners. To achieve that aim, current policy is imposing interest rates of no less than 6 or 7 per cent in real terms. With such rates of interest, six months from now the concern is more likely to be the rate at which the private sector is reducing its expenditures, not their excessive buoyancy.

The Government has got the policy combination it said it wanted. One advantage that the present Government has over its predecessors is that it can now afford patience. Another is that it has brought about substantial improvement in the underlying performance of the economy, partly because of the freedom granted to the capital markets. There is no reason to allow the present panic to bring the UK back into the world of corsets and controls.

Hard choices for Israel

THE OFFICIAL campaign for Israel's 12th general election on November 1 is getting under way this week in sombre circumstances. On the face of it, the poll ought to be one of the most momentous in the country's 40-year history, and certainly the most significant in the 21 years since Israel seized the West Bank and Gaza Strip. Issues which have sidetracked the electorate's attention on previous occasions, such as the state of the economy, are no longer so contentious. The way should thus be clear for voters to consider the question which is of over-riding importance for the country's future, and which has been thrown sharply into focus by the nine-month Palestinian uprising in the West Bank and Gaza: what is to be done about the occupied territories?

Unfortunately, the indications are that the electorate is in no position to deliver a decisive answer. For one thing, Israel's two main political groupings are not offering them a plausible or coherent set of alternatives. For another, the uprising has tended to polarise the political debate but to leave the overall electoral balance of forces little changed.

Dead heat

Neither the Labour Alignment led by Mr Shimon Peres, the Foreign Minister, nor the Likud bloc led by Mr Yitzhak Shamir, the Prime Minister, has been an obvious beneficiary of the events of the past year. Although the Palestinians' new-found defiance has caused a rightward swing, it seems to be generating support principally for the small parties to Mr Shamir's right.

Virtually all the opinion polls indicate that if the election were held tomorrow, the result would be something close to a dead heat. That implies another protracted round of coalition-building, either between Mr Shamir and the religious and ultra-nationalist parties or between Likud and Labour.

For those who worry about Israel's future, neither outcome can be especially heartening. A repeat of the "national unity government" which has ruled the country for the last four years may spell stability and consolidation. But it would also be a recipe for continuing drift and indecision over the territories, accompanied by the "annexation by default" which has long characterised Israeli policy.

Inflaming tempers

Worse would be an alliance between Likud and the far right, which can only further inflame political tempers, and might lead eventually to formal annexation of the territories in flagrant defiance of international law. The number of politicians openly calling for a "transfer" of Arabs from the occupied territories is now at an all-time high, regardless of the fact that it ought to be unthinkable to anyone who has a care for Israel's international image, for its ability eventually to live in peace with its Arab neighbours, or for its vital bedrock of support in the US.

The electoral outcome that seems least likely at present is an outright win by Labour, or the construction of a coalition of the left. Mr Peres has entered the campaign speaking of the need to negotiate a solution to the problem of the territories with Jordan and the Palestinians. His problem is that the central plank of his platform was kicked away on July 31, when Jordan's King Hussein relinquished responsibility for the West Bank to the Palestine Liberation Organisation. To advocate a dialogue with the PLO is the most deeply held taboo for mainstream Israeli politicians, yet Labour cannot now point to any half-credible alternative negotiating partner.

It is not too late for Mr Peres to construct a new electoral platform. But to do so would require admitting that his cherished "Jordanian option" is dead, and pledging to seek an arrangement which would give the Palestinians a measure of genuine self-determination. That may seem an excessively bold vision to place before the Israeli electorate, but anything short of it will not rid the country of its problems in the West Bank and Gaza.

Waiting for clearance: Turkish troops guard a group of Kurdish refugees who have fled across the border from Iraq

A people struggles against its fate

Jim Bodgener on the Turkish-Iraqi border and **Edward Mortimer** in London report on the plight of Iraq's Kurds

For the last few years northern Iraq has been almost completely inaccessible to outsiders, with the result that the world has been largely unaware of the horror that was in progress there.

Only the massacre in Halabja in March this year, when an estimated 5,000 civilians were killed by poison gas, was reflected in the headlines – because that occurred shortly before the town was occupied by Iranian forces. But it is now increasingly clear, as refugees pour across the border into Turkey, that that was only one incident among many, that the Iraqi regime is trying to solve its longstanding Kurdish problem by means that stop little short of genocide, and that since the ceasefire with Iran it has intensified its efforts. Yesterday's offer by Iraq's Revolutionary Command Council of an amnesty for Iraqi Kurds is likely to have little impact on refugees who have suffered the recent brutal onslaught.

Estimates of the numbers of refugees now inside Turkey range as high as 150,000, although 100,000 may be nearer the truth. Collected in temporary reception areas in the region's mountainous rocky valleys, many give harrowing accounts of indiscriminate killings by Iraqi attacks. Their allegations of the use by Iraqi forces of chemical weapons are consistent, and supported by physical evidence.

According to their accounts, bombs dropped from planes and helicopters spread a fine dust-like substance, lethal if inhaled in large amounts and with lasting symptoms of watery eyes and heavy chests if only breathed in lightly. At an encampment near Cukurca, about 10 km from the border, one of two Turkish military doctors confirmed the presence of 300 people in a camp population of 4,000 to 5,000 who were suffering from these symptoms, which he ascribed directly to gas or chemical weapons. According to Turkish soldiers, one chemical bomb actually straddled the border four days previously.

Such testimony gives extra credibility to the statement submitted last month by Amnesty International to the UN Subcommission on the Prevention of Discrimination and the Protection of Minorities, drawing attention to "what it believes to be a systematic and deliberate policy on the part of the government of Iraq to eliminate large numbers of Kurdish civilians, both as punishment for their imputed political sympathies and in retaliation for the activities of opposition forces."

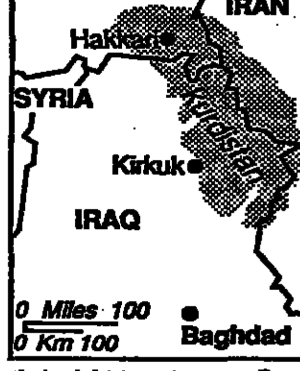
According to Amnesty, "large numbers of unarmed Kurdish civilians" are reported to have been detained, and many subsequently executed, *after* being wounded by chemical attacks in 1987 and earlier this year. "In March this year, several hundred people, perhaps as many as four hundred, were said to have been apprehended as they made their way to the city of Sulaimaniya to seek medical treatment for wounds inflicted by Iraqi forces using chemical weapons. They were reportedly taken to the military garrison of Tanjaro, located 4kms outside the city, and executed by firing squad on April 2."

In another incident in mid-April last year, for which Amnesty quotes a witness, some 360 people wounded in a chemical attack are said to have been denied medical treatment, then transferred to a detention centre, before finally "disappearing" after a second transfer to an unknown destination.

A staff report made last year to the US Senate Foreign Relations Committee said that the Iraqi government was forcibly evacuating Kurdish mountain villages and then dynamiting them, to ensure that the Kurds stayed in the newly constructed townships in the valleys where they were resettled. "In at least one case the Army requisitioned earth-moving equipment from a foreign engineering firm so as to eliminate any traces of previous habitation."

"With hundreds of villages leveled," the report goes on, "the Kurdish countryside has an eerie, deserted quality to it. Fruit trees, graveyards, and cemeteries stand as reminders of the absent people and livestock." More recent reports have stated that 70 or 80 per cent of Iraqi Kurdistan's villages no longer exist, with over a third of its land area completely depopulated, and that Kurds are also being deported from the larger towns, often to concentration camps in the southern Iraqi desert, so that they should no longer form the majority in their own region.

Obviously in the Iraqi regime's eyes such measures are justified by the fact that the main Kurdish guerrilla groups, backed apparently by much of the civilian population, had allied themselves with Iran; and are rendered necessary by the fact that Kurdistan has been in a state of almost continuous insurrection against successive Iraqi governments ever since 1961. All this is despite the fact that Iraq, unlike any of the neighbouring states with Kurdish populations, recognises the Kurds as a people and since 1970 has formally accepted their right to autonomy. Purely humanitarian considerations, the regime would argue, cannot be allowed to impede the state from carrying out its minimal function of holding the country together and maintaining order.



To this the Kurds would reply that they have never called in question the integrity of the Iraqi state. Their demand has been for self-government within Iraq. The autonomy offered by the regime, they say, is a sham because the ruling Baath Party – or Arab Baath Socialist Party, to give it its full name – has never been willing to share real power with anybody. Only in a democratic Iraq, they argue, would autonomy have any meaning, and therefore their struggle is not only that of the Kurds but that of the whole Iraqi people. And indeed it is a fact that Arab opponents of the regime (including on occasion dissident members of the Baath party itself) have often allied themselves and sought refuge with the Kurds.

Iran, Iraq and Turkey all suffer from a "Kurdish problem". The Kurds, for their part, consider that they suffer from the way the map of the Middle East was drawn after the First World War, denying them the independent state they were promised in the Treaty of Sèvres (1920) and dividing them more or less arbitrarily between Turkey, Iran and Iraq (with smaller enclaves in Syria and the USSR).

By most known criteria they constitute a people or a nation with their own language (though one divided into dialects with different scripts) their own culture, and their own contiguous territory. While their numbers are much in dispute, there is no doubt that they are the fourth most numerous people in the Middle East (after Arabs, Turks and Persians) and larger than many peoples in other parts of the world to whom the rights of self-determination and statehood have been accorded. An Iraqi Kurd, called on by his government to join the Arab national struggle to secure these rights for the Palestinians, who number at most 5m, could surely be forgiven for wondering why the same rights should not be given to nearer 20m Kurds.

In spite of this, calls for an independent Kurdish state or for the unification of Kurdistan have been extremely rare. The Kurds of Turkey have been an exception. There, until very recently, the absolute refusal of the central government to recognise any kind of Kurdish identity, even at the cultural level (villagers have often been fined or beaten for speaking Kurdish in a public place), left Kurdish nationalists no incentive to struggle for anything less than complete separation. In other countries, including both Iraq and Iran, Kurdish parties have accepted that it would be disastrously counter-productive to call in question the territorial integrity of the existing state.

The established world order, though broadly sympathetic to Afro-Asian peoples struggling for independence from European empires, is very reluctant to contemplate subdivision of existing states which are territorially compact, because too many of the states represented in the UN instinctively feel themselves vulnerable to such subdivision if it were to become current practice. It is almost as though statehood were a prize for which candidates had to have submitted a valid application before a certain date (somewhere around 1918), and the Kurds, being a backward, tribal people from a landlocked mountainous area, had got their application in just too late.

That being so, to demand independence would be almost sure to unite the world against them, and would certainly unite the states in which they live. But, unhappily, the moderation of Iranian and Iraqi Kurds, in confining their demands to internal self-government, has done them no good. In neither state does the regime have the kind of self-confidence that allows a genuine separation of powers, whether functional or territorial. Politics in both countries is of such a nature that Kurds feel no confidence in any form of autonomy that does not give them control of their own armed militia, while the central government sees any militia not under its direct control as an intolerable threat to its authority and in all probability an agent of an enemy power.

That view tends to be self-fulfilling. When Iran and Iraq quarrel, as they did before 1975 and again after 1979, each sees the disaffection of the other's Kurdish minority as an irresistible card to play. Hence, the sad but recurrent spectacle of Iraqi Kurds backed by Iran and vice versa, fighting on opposite sides and sometimes pitched directly against each other. Hence too the terrible punishment to which Kurds are exposed when the rulers of Iraq and Iran settle their differences and turn their full wrath on their domestic opponents, as happened in 1975 and is happening again now.

The Iraqi Kurds are currently receiving the most savage punishment, perhaps because Iraq's Baathist regime, supposedly a bulwark of western civilisation against the fanatical ayatollahs, is actually more ruthless than they in employing weapons of mass destruction; but also because the Kurds of Iraq have posed a more serious and sustained threat to the central government than have their Iranian counterparts. The Iranian army had virtually eliminated the Kurdish controlled region of Iran as long ago as early 1984.

Ironically, it is in Turkey, where in the past they were most firmly suppressed, that the Kurds now have some glimmering of hope. Turkish newspapers and members of parliament have begun to declare openly that Turkey does indeed have a Kurdish minority; and the prime minister, Turgut Ozal, clearly over-rode the military in setting aside Turkey's "hot pursuit" agreement with Iraq and giving asylum to the refugees. In doing so he was both responding to local public opinion and defending Turkey's claim to be considered a civilised, European country. By contrast the prospects for Kurdish self-expression in Iran remains extremely bleak – and in Iraq it is the Kurds' very survival that is at stake.

OBSERVER

Lost men of the SPD

■ Hans Apel, the former West German Finance and Defence Minister and erstwhile stalwart behind Chancellor Schmidt, has fallen on hard times within the Social Democratic Party. He is leaving federal politics after being voted off the SPD's governing board last week under the party's new quota system increasing the presence of women in leading positions.

The move completes a roll call of ex-SPD Finance Ministers who have ceased to take an active role in the party. His decision to step down as the party's finance policy spokesman, and to leave the Bundestag after the 1990 general election, exposes the party's shortage of seasoned economic policy-makers after six years in opposition.

Apel, 56 and like Schmidt from Hamburg, has seen his popularity gradually slipping within the SPD in the last few years. His knockabout parliamentary oratory will be badly missed. He was due to make the opening speech for the Opposition in yesterday's Bundestag budget debate, but his place was taken at the last moment by Helmut Wieczorek, a largely unknown SPD deputy who proved, yesterday at least, a poor substitute.

Previous SPD Finance Ministers under Schmidt, Manfred Lahnstein and Hans Matthoefer, have left party positions and taken up business posts. Another former SPD economic luminary under Schmidt, Detlev Rohwedder, is the chairman of steel company, Hoesch. Edzard Reuter, the SPD chairman of Daimler Benz, would have been Schmidt's choice as Finance Minister had the SPD stayed on in power in 1982. It is now too late to tempt him into politics.

It is sometimes forgotten that Schmidt's right hand man in Bonn in the early 1970s, Karl Otto Poehl, President of the Bundesbank since 1980, is a long-standing card carrying member of the SPD. His links with the party have withered, however. The 40th birthday of his membership came in the spring and the Germans normally celebrate anniversaries. But Poehl points out that nobody from the SPD paid the slightest attention.

Left out

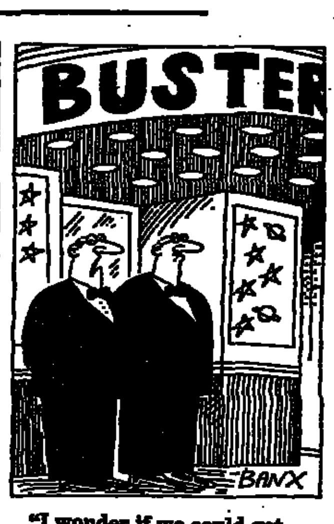
■ A Bank of England XI played its annual cricket match against a side of financial journalists yesterday. "We have four or five teams altogether, two of which play in the Surrey League," said a Bank spokesman. "Obviously we did not put out the best." Nor was the captain, Robin Leigh-Pemberton, able to play this year. Among the journalists the Financial Times was not represented. Some change in office recruitment policy must be in order.

Top Treasurer

■ Gerald Leahy, a former treasurer of Unilever, is to become the first Director General of the Association of Corporate Treasurers. Leahy, 54, will work full-time and concentrate on building up the organisation from the centre while still relying on voluntary help from members.

A move from the Association's present premises in Regents Park to somewhere closer to the City is being considered. The monthly magazine, The Treasurer, will be further developed and the Association, which conducts its own examinations in treasury management, will continue its efforts to raise standards throughout the profession.

According to Leahy, most



"I wonder if we could get Ronnie Biggs to come instead?"

of the big firms in the country are now members. The challenge is to bring in the smaller ones and make sure that the Association makes its views known early on about any planned legislation affecting corporate financing.

After leaving Unilever in 1983, Leahy went into banking and was until recently chief executive of Shire Trust Ltd, which he founded two years ago.

Once a BL man

■ Ray Horrocks, former chairman of BL Cars, has not left the old firm quite behind him. He has become chairman of SMAC Group, a vehicle distributor and retailer with about a dozen outlets in southern England.

SMAC, founded in 1932 by two brothers in Southend, is applying for a London Stock Exchange listing via a shares placement by the end of the year. It has seven Rover Group, formerly BL, sales outlets, together with Rolls-Royce, Bentley, Mercedes, Land Rover and Range Rover franchises.

The new job is the second resumed, if indirect, contact between the 59-year-old Horrocks and the formerly state-owned cars company, now part of British Aerospace. He is also on the board of Lookers, the Manchester-based vehicles group with a number of Rover franchises.

He is still close to his old BL chief, Sir Michael Edwardes – on the board of Chloride, which Edwardes heads.

Remaindered

■ One of the problems of the annual book clearing out exercise is what to do about all those tomes that appeared on the formation of the Social Democratic Party and the Alliance with the Liberals. Masses of them: Claret and Chips, Breaking the Mould? and books by Shirley Williams, William Rodgers and, especially, David Owen. Will anyone read them now, save the odd historian?

Undrinkable

■ A Nebuchadnezzar of Financial Times pink champagne is doing the rounds at this year's charity auctions. Alan Coutts of Regentcrest plc paid £15,000 at the Telethon. He has now donated it to the Wishing Well Ball which is seeking to raise £¼m for the Great Ormond Street Hospital at Grosvenor House on Sept 23. (A Nebuchadnezzar incidentally holds the equivalent of 20 normal bottles.)

Little Reich

■ Barbed comment on Robert Reich, the economic historian now advising Michael Dukakis on industrial policy. "He's a microeconomist. About 5 feet 2."

David Fishlock reviews government efforts to streamline scientific research in Britain

In search of excellence

When a government White Paper proposed that publicly-funded scientific research in Britain should be brought under tighter control and left less to the whim of those who practised it, many scientists reacted angrily.

A year later, the new strategy – and in particular whether the Government is committing enough funds to research – is back in the forefront of debate at this week's annual meeting in Oxford of the British Association for the Advancement of Science.

The big change being sought by the Government is to leave less to pure chance, in a world where the UK nowadays contributes only about 5 per cent of the world's output from research. The Government's *advisers believe this* proportion cannot be changed significantly, no matter how generously *British dons are treated.*

Above all, this implies priorities, and mechanisms for selecting and rejecting opportunities to spend public money on research. Moreover, those mechanisms must weigh not just the 5 per cent of activity in Britain, but if possible the global canvas of opportunities emerging from science.

The basic mechanisms foreseen for the strategy are now in place, and the screws are already tightening on a number of once well-funded sectors such as agriculture, energy and space research.

The first mechanism is a body of "wise men" surveying the whole realm of domestic research and development. This is the Advisory Council for Science and Technology (Acost), representing both academic and industrial science. Its chairman, Sir Francis Tombs, Rolls-Royce's chairman, reports to the Prime Minister herself, who can – indeed has – attended Acost meetings.

A good example of Acost's work is a recent study of the opportunities in opto-electronics, a subject it considers vital to Britain's industrial future. It finds Britain has done world-*class research but has failed to* exploit it commercially. It urges government and industry to mount "high profile demonstrator projects to illustrate the applications of opto-electronics across a broad front."

Another mechanism is the Cabinet Office's science secretariat, headed by Mr John Fairclough, the Government's chief scientific adviser, who also has access to Mrs Thatcher. Where once his office was seen as the conduit for government patronage, today it is feared as more likely to ask hard questions about returns from investment in particle physics or fast reactors, in turn alerting a critical appraisal by Acost.

The secretariat is also responsible for assembling the annual report on Britain's research and development. This year the Government is closely reviewing the level and distribution of its R&D spending – nearly £5bn in total for 1989-90 – across all departments.

A third mechanism, The Centre for the Exploitation of Science and Technology (Cest), was conceived in Whitehall but is mainly funded from the sub*scriptions of a score of big sci*ence-based British firms. Dr Bob Whelan, Cest's chief executive, says its role is not to pick winners but to define the elusive process by which winners emerge. "I don't think we teach our researchers enough about the achievement of goals," says Whelan, a physicist who engaged Cest's first staff only last month. He expects it to have a key role in identifying opportunities for a new type of research centre with very *specific* goals, the Interdisciplinary Research Centre (IRC), in which the Government has begun to invest this year.

The agents of change talk of "dozens" of IRCs on university campuses by the mid-1990s. Each will focus on a facet of "curiosity-driven" science deemed ripe for an attempt at exploitation through R&D.

Seven of these IRCs have been chosen, concentrating on such opportunities as the discovery of "warm" superconductors (Cambridge), surface science (Liverpool) and novel semiconductors (Imperial College, London). Several more will be selected this month, for launch next year. All are to focus on opportunities that could come to the market in the late 1990s.

The IRCs are a fiercely controversial feature of the Government's strategy for science. They are being set up with funds from the pool of about £1.3bn currently allocated to the science base. Thus they drain money which otherwise could help *sustain present* research in university departments or national laboratories.

However, the IRCs are being set up as directorates, outside the traditional academic organisation. Worse still, as the dons see them, they are intended to "self-destruct" after about a decade – less if they are failing – and make way for fresh opportunities.

All this new machinery for managing science has already begun to have an impact. For example, the budget for particle physics – "atom-smashing" – one of the most esoteric areas of research, is being cut by 20 per cent over the next five years. Astronomy is also to be cut back. Savings will be channelled into the new IRCs and other initiatives such as the £15m Materials Commission announced by the Science and Engineering Research Council (Serc) this summer.

The Government has not cut the space budget, but it has stoutly refused pleas to double the present £100m allocation, not least because the aerospace industry itself showed no enthusiasm for raising its own contribution. The Government has also refused to increase its subscription to the European Space Agency. As for the Hotol space craft, no credible case has yet been constructed for a space launcher expected to cost at least £5bn to develop, for which Rolls-Royce – as holder of the engine patents – can see a world market no bigger than a score.

Fast reactor R&D, on which Britain has been spending over £100m a year, became increasingly vulnerable as the threat *of an international shortage of* "conventional" nuclear fuel (uranium) receded to 2020 or later. Most of the money is being spent to refine a reactor that works – and works well – but will be obsolete before it is needed by industry. But when the inevitable social disruption of ending a major R&D project is over, the UK Atomic Energy Authority will still be left with £10m a year – more than any IRC can expect – to invent a new and cheaper fast reactor.

Defence research, long eyed enviously by other sectors, was *the first sector to suffer* the axe. The latest Cabinet Office statistics shows that the research portion of defence R&D is scheduled to contract from £408m in 1986-87 to £357m by 1990-91. Defence development, mainly devoted to big weapons projects, shrinks from £1.93bn to £1.66bn over the same five years.

Two scientists have shouldered the burden of selling the new strategy to the science community. One is Professor William Mitchell, former head of the Clarendon Laboratory, Oxford's physics department. Prof Mitchell is chairman of Serc – biggest of the research councils with half their total annual budget of about £700m – and has been the pacesetter in launching the new IRCs. He points out bluntly that, far from falling in recent years, his budget has increased in real money terms by 0.9 per cent, 3.0 per cent and 8.0 per cent for the last three years. He observes drily that such figures hardly help in "convincing ministers that research and *technology are starved of* funds."

But the scientist in the hottest seat *is Professor Sir David* Phillips, the Oxford biophysicist who also serves effectively as *chief scientific adviser to* the Department of Education and Science. Sir David is chairman of the Advisory Board for the Research Councils, which advises the Education Secretary on the budget for science in support of higher education.

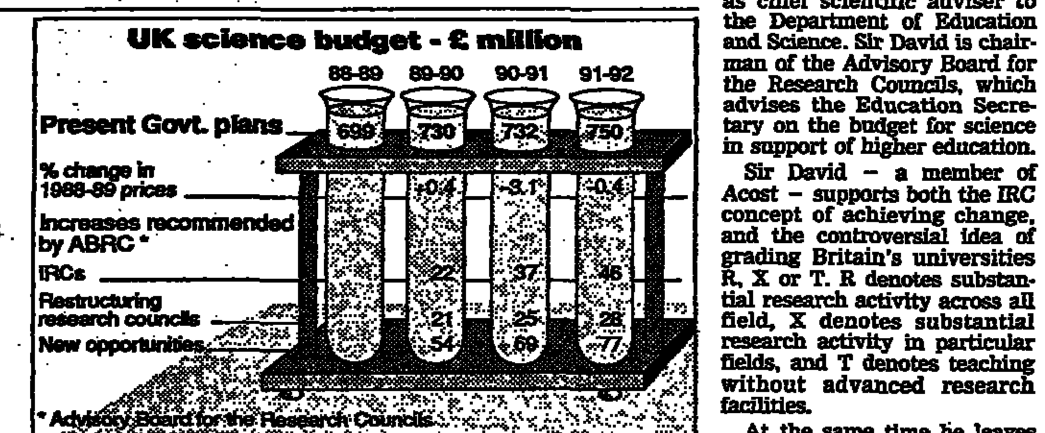
Sir David – a member of Acost – supports both the IRC concept of achieving change, and the controversial idea of grading Britain's universities R, X or T. R denotes substantial research activity across all field, X denotes substantial research activity in particular fields, and T denotes teaching without advanced research facilities.

At the same time he leaves his minister in no doubt that he believes the academic science community must get more government cash. The advice from his board for this year's public expenditure survey is that the £700m budget for the research councils is too small "to move our nation's scientific capability towards the 21st century.

It asks for an extra £97m in 1989-90 to re-equip and to accelerate the reshaping of the science base, including launching more IRCs more quickly.

For science to get extra cash, the Government will need to be convinced that the change it desires really is going to happen. The best possible proof of that would be for industry to show early confidence in the concept of the IRCs, by matching government funding for them with its own research contracts.

Britain contributes about 5 per cent of the world's output from research. The Government believes this proportion cannot be changed significantly, no matter how generously its dons are treated



Airline accidents

How to make flying safer

By Laurie Taylor

In 1987, world airlines carried one billion passengers, and by the year 2000, if current growth rates continue, there will be two billion passengers every year. Even if world airlines regain the safety level of 1984, the safest recent year, that would mean 1,000 or more deaths annually by the turn of the century.

A high rate of growth of air travel poses many challenges to the regulators of air safety. There are more airlines to be authorised and inspected. Some of them do not have, perhaps, the experience, resources or will necessary to exceed the requirements set out in the regulations. (In past years these were regarded as a minimum safety net which major operators set out to exceed as a *matter of prudent corporate* policy.)

Rapid growth also brings about a reduction in the average level of experience of ground engineers, pilots, operations managers and, if recruitment is resumed, of air traffic controllers. US experience since airline deregulation shows that airline bankruptcies, mergers and the creation of new airlines have the effect of increasing the mobility of skilled labour. Some small commuter airlines in the US have experienced a 150 per cent turnover of pilots in a single year, hardly favourable for air safety.

Large increases in the number of flights pose difficult *problems for air traffic control* systems. The best of them are using obsolescent technology, suffer a shortage of airports and runways – and, due to military demands, of air space. In Europe, control is greatly complicated by a national fragmentation of air space, caused mainly by the refusal of France and the United Kingdom to surrender airspace sovereignty to a supra-national authority, Eurocontrol. As a result, Eurocontrol has responsibility only for the upper airspace of the Benelux countries and the northern part of West Germany. A flight from Frankfurt to Seville, 1,200 miles in length, is controlled by 11 air traffic control units in four countries.

Measures taken to deal with air traffic congestion include the application of "flow control" to reduce peaks of traffic. This causes delays on the busiest days, so under-resourced and over-scheduled operators run out of flight crew hours. A single delay as short as only two hours can leave an aircraft in Corfu overnight, for example, instead of returning to Gatwick for the next sequence of flights. Pilots complain that some operators attempt to persuade them to take minimum authorised rest periods and to extend their duty periods to the maximum permissible under CAA regulations – both pressures potentially detrimental to safety.

Airlines' profits are low, creating great pressure to *reduce operating costs. Some* types of passenger aircraft are exceeding their original design *lives, and two-engined aircraft* are being operated over routes, remote from any airfield, formerly the preserve of three and four-engined aircraft. Some operators of Boeing 747s have removed two emergency exits to improve profitability. In each case safety regulations are being met, but few would contend that these trends make air travel safer.

The increased air cargo available has persuaded some airlines to operate so called combi-aircraft, in which cargo is carried on the passenger deck. In this area, there is an inferior provision of smoke and fire detectors, fire proofing and fire fighting equipment. The level of ventilation provided to *these passenger/cargo decks* is such that any fire is likely to be sustained by the oxygen available.

Items as dangerous as explosives, corrosive or toxic substances and even rocket fuels have been taken aboard airliners by passengers, or shipped by cargo agents – sometimes with false declarations or no declarations about their nature. New cargo safety regulations may be required to deal with combi-aircraft.

It is fortunate for air safety that successive generations of aircraft and engines have proved safer and that there will be improved fire proofing of passenger seats and cabin furnishings.

The safety problems caused by human factors are, however, unresolved. There is controversy about the respective authority to be given to automatic systems and human operators, and the difficulty of verifying the software of complex computer controlled systems. Opinion is divided on how much information should be given to pilots, and on whether systems are to operate – and if necessary shut themselves down – without inputs from the flight crew.

Accidents caused by human factors have been described as the last frontier of air safety. Human performance varies greatly: Boeing research shows that 16 per cent of operators of Boeing aircraft account for more than 80 per cent of all *crew-caused accidents to those* aircraft. Other sources show that air travel is twice as safe *in the US as* in Europe, which is in turn twice as safe as air travel in South America. Although these statements take no account of the different operational environments in which airlines fly, they do show that all airlines are not equally safe.

If air safety is to be improved there needs to be:

- Agreement that air safety is a high priority task to be assigned to an airline's highest levels of management and that all proposed changes that reduce air safety, even if they meet current regulations, will be rejected.
- Re-imposition of the concept – dropped more than 20 years ago – of a "safe life" for air*craft structures. Aircraft* should be taken out of service on completion of that life.
- Improved supervision of aircraft maintenance and operations by regulatory authorities – which would mean governments giving them increased resources.
- The internationalisation of aircraft control, navigation and surveillance systems, eventually using space-based technology.
- Improved training for managers, crews and engineers with an increased emphasis on those areas highlighted by studies of human factors

Laurie Taylor, a former airline pilot, is the author of the book Air travel – how safe is it? to be published next month by Blackwell Scientific Publications.

LETTERS

'National curriculum will ensure breadth of study'

From the Secretary of State for Education and Science.

Sir, I read with interest your leader (August 24) on "The curse of specialisation." I hope *that you will allow me space in* your columns to correct some false impressions which it may have created on an issue which is, we evidently agree, of the utmost importance.

You argue that for some pupils to study the sciences for the equivalent of "only" one period a day in the final two years of compulsory schooling amounts to an unacceptable narrowing of the curriculum, and calls into question the Government's stated intentions of broadening the individual pupil's curriculum *through the introduction* of the National Curriculum.

Your argument misses several important points.

First, a requirement of *all* pupils to continue to study science in years 4 and 5 of secondary schools represents a substantial advance over the current position. It is an advance which you fail to acknowledge. I have made it clear that the Government expects *all* pupils to take science as a GCSE (General Certificate of Secondary Education) subject, and that the science studied should be balanced rather than single subject – all too commonly, biology for girls and physics for boys.

You greatly underestimate the change in practice that the National Curriculum will involve. In 1986, the latest year for which figures are available, only 65 per cent of school leavers had attempted O level ("ordinary") or CSE (Certificate of Secondary Education) examinations in one or more of the main science subjects – physics, chemistry, biology.

Second, whatever time is spent on science in years four and five of secondary school, it will in future build on a much *more systematic and comprehensive* science education during the previous *nine* years. All too frequently now pupils do not get a proper introduction to science until well into their primary schooling – if then. The recommendations for attainment targets and programmes of study put forward by Professor Jeff Thompson's working group will help to overcome these drawbacks in science education.

Moreover, the National Curriculum will require pupils to study not only science, but also technology and mathematics, for 11 years. Consequently the overall increase in time and effort devoted to the "sciences" side of the late C.P. Snow's "two cultures", even by pupils who may take a single award GCSE in science, will be increased radically.

In addition we have given priority to mathematics, science, and design and technology, as well as to English, in the national curriculum's implementation programme.

Third, you doubt whether the experts can produce a decent balanced science course requiring less than the 20 per cent of curriculum time considered necessary for a double award GCSE in science. We shall see whether the experts share your pessimism. You may well be giving too little credit to the progress already made by many teachers and schools since the Government issued its 1985 policy statement on introducing balanced science courses in place of the traditional "three sciences".

Fourth, an insistence on "20 per cent science for all" is potentially in conflict with the very principle you claim to support – a broad curriculum. For some pupils whose aptitudes lead them to want to take subjects outside the national curriculum, such as classics, home economics, business studies and craft/design/technology (CDT), studying for double award science GCSE would eat so heavily into the time available that they would be unable to do so to a worthwhile level.

For others wishing to devote additional time to national curriculum subjects – for example, those with marked talents in modern languages, music or other arts – 20 per cent of time spent on sciences in the fourth and fifth forms could mean that they were unable so to extend their studies.

It is vital to recognise that the national curriculum will ensure a breadth of study and prevent early *specialisation,* including early specialisation by scientists. While I envisage *that the majority of pupils may* well follow *double* award science courses, it is important to keep open the flexibility to *cater for those for whom that* would be inappropriate. At the same time we must ensure that the science studied by the minority – and the curriculum followed by those taking double award science courses – are broad and balanced.

Kenneth Baker,

Department of Eduction and Science,
Elizabeth House,
York Road, SE1

A credit tax could have a valuable deterrent effect

From Mr Mark Robson.

Sir, When faced with a monetary problem one should always look for a fiscal solution. But current fiscal policy is scarcely lax – it seems absurd to respond to an enormous rise in consumer borrowing, consumption, and imports, by proposing an across-the-board increase in income tax rates as an alternative to even higher interest rates.

The desired effect of high rates of interest – in the longer term – is to reduce borrowing for consumption. *It is* not generally accepted that debt as such is the source of all evil, and it would certainly seem better to finance national private investment by debt raised from savings of consumers rather than, as at present, by the trade deficit.

A solution which limits borrowing for consumption without imposing dramatically higher costs on industry and homeowners would be highly attractive. But quantity constraints would be ineffective. More importantly, they are politically unpalatable.

Why should not the Chancellor introduce a specific tax on consumer credit, embracing charge, credit and store cards as well as more traditional forms of interest-bearing credit accounts and bank lending?

The common objection is that the various forms of credit are too dissimilar to be able to *be identified and treated alike;* but what they all have in common is that they are already governed by the Consumer Credit Act 1974.

A credit tax at an annual rate of 10-15 per cent, levied monthly or quarterly on all outstanding balances on borrowings under the Act, could have a valuable deterrent effect. It would encourage rapid repayment of debt, it would be selective, and it would provide a signal of Government commitment to the markets. It could be formally levied on either the borrower or lender, depending on ease of administration.

In the former case there is the useful precedent of Sir Geoffrey Howe's 1981 special tax on banking deposits; in the latter, the item could appear on individuals' monthly statements alongside the interest charge.

Such a move in itself, of course, would hardly solve the general problem. Rather than see a further reduction in the basic rate of income tax towards 20 per cent, a package of tax reforms to encourage personal savings would be a most welcome feature of the next budget. High interest rates provide a strong incentive to savers to hold new bonds or face value accounts, but not equity.

Given the Government's stated wish to encourage shareholding by individuals, a "Loi Monory" type of scheme for investment in equity would be of great help, giving income tax relief for net savings in quoted share, preferably coupled with roll-over relief from capital gains tax. For example, the basis of such a scheme was proposed this year by Mr Alan Beith during consideration of the Finance Bill in the House *of Commons' standing committee.*

The customary Government response is that it cannot be afforded: on the contrary, it now appears increasingly likely that we cannot afford to do without it.

Mark H. Robson,
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FINANCIAL TIMES
Wednesday September 7 1988

W Germany revives old debate over allies

By David Marsh in Bonn

THE VICTIMS of the air show catastrophe at the US base in West Germany were mourned at a stately and emotional church ceremony at the weekend. Now, after the horror, comes the reckoning.

One of the most important questions taxing the Federal Republic is old, virulent and will not go away. It focuses on the degree to which West Germany can control the activities of Nato armies and air forces stationed on its soil to maintain the post-war status quo in Europe.

The debate about sovereignty has been spurred by the present flux in East-West relations and the weakening of once-unquestioning support for the Americans among the West German population. Ramstein has thrown the spotlight on to lingering occupation rights of the allied armies which defeated and dismembered Germany in 1945.

The air show mishap at the end of August has claimed 52 lives at the latest count, with the toll inching up daily as severely burnt spectators succumb to their injuries. Politicians on both left and right are asking whether the Bonn Government has the power to curb flying by Nato aircraft which represent both the guarantors of the country's defence and the potential for disastrous accidents.

HOW W. GERMAN SUPPORT FOR US HAS WANED
(All figures %)

	Nov 80	Jun 83	Mar 84	May 85	Dec 87
In favour of continuing to stand closely by US	56	47	36	37	32
Following policy of neutralism between East and West	31	38	38	34	44
Close co-operation with Soviet Union	4	5	2	1	5

Source: Allensbach Institute

The next few weeks will see an inquiry into the cause of the collision of the Italian aerobatics aircraft at the US display. A spate of complex lawsuits is looming to press damage claims. Recriminations are rumbling on about chaotic accident procedures at the annual Ramstein show.

All this comes against the background of mounting public dissatisfaction about the noise and danger of routine low-flying by the West German and allied air forces – chiefly the US, British and French. With a new wind of harmony blowing from the Soviet Union, the West Germans are less ready to accept Nato arguments that such training is necessary to keep air forces in the state of readiness which assures peace.

Immediately after the Ramstein tragedy Mr Rupert Scholz, the Bonn Defence Minister, announced a ban on military aerobatics affecting all air forces in West Germany. It is not certain whether this will quell public disquiet – nor whether he has the powers fully to enforce the order.

The minister has had little success in his attempt to keep the issue of routine low-flying separate from the other questions surfacing after the disaster. The 3,000-acre American air base, grouping both US and other Nato air forces, is the source of much of the low flying which has been causing mounting irritation in the state of Rhineland-Palatinate over the past decade.

Mr Bernhard Vogel, the Christian Democrat state Prime Minister, pointedly made the link by saying in his address to the mourning service at the weekend that "Ramstein is an example of the burdens that the people of this country have to carry." Mr Vogel, whose party in the past has accused opponents of the Ramstein air show of being anti-American, said he believed the show could never be held again in the same form.

Who, however, has the final say? Mr Scholz, a law professor, says that the allies are obliged to accept West German authorisation procedures laid down in the Air Navigation Act. This would give the Defence Minister the power to ban flight displays if he thought them dangerous.

Mr Scholz is opposed, however, by a body of legal opinion which lays down that the 1963 Nato Stationing of Forces Agreement, along with a supplementary accord which came into force at the same time, in the final instance gives the Bonn Government no real control over the matter.

If air show flying is deemed by the allies to be part of defence training, then the West Germans' right to regulate cannot be used to destroy their right to exercise.

The 1963 agreement is widely seen as giving the Nato forces powers issuing directly from the allies' occupation rights held until 1955. This is a bone of contention which cuts across the political divide. Thus an editorial on Monday in the leading conservative newspaper, Frankfurter Allgemeine Zeitung, complained that "in contrast to its alliance partners, the Federal Republic is not fully sovereign" – echoing similar statements in recent days from the Social Democratic party.

The newspaper said West Germany's allies would have to use their remaining military powers with care to avoid giving the public the impression that they placed the country at a disadvantage and needed to be revised. Demonstrating how the wounds of Ramstein run the risk of festering, the newspaper added ominously that the consequence of any such move could turn out to be "fatal".

Why Iran's PM offered to quit

Scheherazade Daneshku and Andrew Gowers on stresses in Tehran

THE DEEP divisions among Iranian leaders over the future of the country's Islamic system of government came to the surface yesterday, when Ayatollah Ruhollah Khomeini publicly rebuked his Prime Minister, Mr Mir Hussein Mousavi, for offering to resign.

In submitting his resignation, Mr Mousavi cited difficulties in agreeing a cabinet with the Majlis (parliament), saying that he believed the assembly would withhold approval of eight of his ministerial choices. President Ali Khamenei, who under the constitution has the authority to appoint or dismiss the Prime Minister, told Mr Mousavi that his resignation had been rejected, and Ayatollah Khomeini, Iran's spiritual leader, said he should stop quibbling and get on with his job.

The result appears to be a standoff between senior government figures, with a Majlis debate on the composition of the Cabinet now postponed until Saturday. It is not clear that the Prime Minister's position, which has been heavily undermined in recent weeks by signs that Tehran is reconsidering its economic policies, will remain tenable for long.

The controversy has broken at a particularly sensitive time for Iran, which is facing up to a big reconstruction effort involving foreign companies after the eight-year Gulf war.

It represents the first sign of an open split in the remarkably consistent inner circle of Iranian leaders with influence over day-to-day decision-making. Mr Mousavi, 46, has been Prime Minister since October 1981 and as such has been responsible for the array of wartime restrictions on the economy. Although he has not always seen eye to eye with Mr Khamenei or with Hojatoleslam Ali Akbar Hashemi Rafsanjani, the powerful Majlis Speaker, he has worked alongside them in a pattern of compromise and stalemate that has characterised Iranian politics for the past seven years.

The break in that pattern results from the debate regarding future economic policies. It may also reflect a degree of confusion following the leadership's decision to sue for peace with Iraq on July 18.

Mr Hussein Mousavi: Publicly rebuked

Ever since Mr Rafsanjani engineered the *volte face* over the war (a move with which Mr Mousavi is reported to have disagreed), the position of the more hard-line elements in the Government has looked uncertain. The Premier has been under particular pressure not only because he is a leading hard-liner but also because he is responsible for implementation of government policy.

In parliamentary elections in May, radical candidates swept the polls and Mr Mousavi was given an overwhelming vote of confidence. But since the June appointment of Mr Rafsanjani as acting Commander-in-Chief of Iran's armed forces, Mr Mousavi has seen the erosion of his most cherished policies.

He is a well known proponent of radical economic policy moves, including increased state control over the economy. After frequent obstruction of such measures by the conservative Council of Guardians, which vets laws to ensure they comply with Islam, such legislation was expected to have an easy passage through the present Majlis, especially since Ayatollah Khomeini had come out in strong support of socialist-type Islamic policies geared to serving the needs of the poor and oppressed.

Last week, however, in what appears to have been another remarkable policy reversal, the Ayatollah assigned the Government an essentially supervisory role over foreign trade.

There is also substantial disagreement within the leadership over Iran's position towards the West. In the past four months Mr Rafsanjani has forcefully advocated a policy of opening up to the West, of condemning terrorism and even of making conciliatory noises to Saudi Arabia. He has even managed to elevate the term "moderation" from being a dirty word to a government aspiration.

A few weeks ago Mr Rafsanjani indicated that reconstruction in Iran should steer a middle course between opening up to a flood of imports and foreign assistance or of continuing austerity until self-sufficiency could be achieved.

The President has gone further than this by declaring that Iran should indeed make use of the knowledge of "friendly" foreigners, while the private sector should come forward to invest under the umbrella of government supervision.

These views are diametrically opposed to those of Mr Mousavi, who last month warned against the policies of "arrogant powers" and the inflow of foreign investment which he said would reduce Iran to a state of dependence and "would lead to a suppression of the revolution's principles".

Mr Mousavi's resignation offer may well be a tactical move aimed at challenging the policies of the pragmatic factions, rather than an attempt to bow out quietly. He may have hoped that as in 1985, when he last came under serious attack, Ayatollah Khomeini will intervene in his favour in order to prevent an open rift within the leadership. If so, he will have been rudely disappointed by the Imam's reply last night.

Whatever the outcome of the present round of political manoeuvring, however, it is clear that challenges to the unity of the leadership will not go away while so many fundamental ideological issues remain unresolved.

China snubs US over Mideast arms sales

By Peter Ellingsen in Peking

CHINA yesterday rejected US criticism of its arms sales to the Middle East – a move likely to prevent its gaining immediate access to sophisticated US military technology.

Before meeting Mr Frank Carlucci, the US Defence Secretary, Qin Jiwei, his Chinese counterpart, said his country's arms sales were "insignificant" compared to the world's "biggest arms dealers", the US and the Soviet Union.

"Compared to these two countries' arms sales, China's arms sales only amount to a fraction," Qin said.

"China is a developing country and even in the future will not sell armaments in large quantities."

Despite constant urging from Washington to curtail sales of ballistic missiles to third countries, particularly those in the Middle East, China, the world's fifth largest arms dealer, continues to supply Silkworm anti-ship missiles to Iran and CSS-2 ballistic missiles to Saudi Arabia.

The trade, aggressively promoted by China, is said to be worth up to $2bn a year, and expanding.

Qin conceded that China and the US had "inevitable" differences over military matters, but said some of these could be solved through an "exchange of views". This is unlikely to include the US granting Peking's wish for a transfer of defence technology, particularly since China has not modified its stance despite a US Senate resolution in July calling for a reassessment of Sino-US relations if China did not halt missile sales to the Middle East.

However, it may be possible to reach a compromise whereby China would gain some military equipment in return for a more judicious placement of its weapons. The US State Department has recommended that China be given communications satellites for launching on Chinese rockets, a move the department claims will not endanger national security.

● Mr Carlucci met Qin for more than three hours and expressed US concerns over China's arms sales, reports Reuter. "We recognise Chinese sovereignty and its right to have its own overseas arms programme," a Defence Department official said, "but we think missiles fall into a special category."

Mr Carlucci today meets China's senior leader, Deng Xiaoping.

Agreement may be abolished

Continued from Page 1

sys, Compaq, Sun Microsystems, Prime, Tandem Apple Computer and Perkin Elmer on the user side, with Texas Instruments, National Semiconductor, Advanced Micro Devices, Intel and Motorola representing chip producers.

"The proposal will go ahead, although the context in which it is presented [to the Commerce Department] may change," said a spokesman for the American Electronics Association, a trade group which has endorsed the chip users' position.

THE LEX COLUMN

The purr of the German motor

West German economic growth may have come to a halt between the first and second quarters of 1988, but the first half outturn is considerably better than had been thought possible only a few months ago. Official estimates of at least 3 per cent growth for 1988 are nearly double the average growth rate of the previous five years, and should help the West Germans host this month's IMF meeting in Berlin without any embarrassing suggestions that they are not pulling their weight on the global economic stage.

The French have already upgraded their 1988 growth forecast to around 3.5 per cent – nearly twice the spring estimate – and the continental European economies are no longer looking so out of step with the rest of the developed world. Admittedly, Japan's estimated 1988 growth rate of close to 6 per cent remains unchallenged, but Europe should be able to produce an overall growth rate of close to 3 per cent this year, which is up on last year and well above average for the last five years.

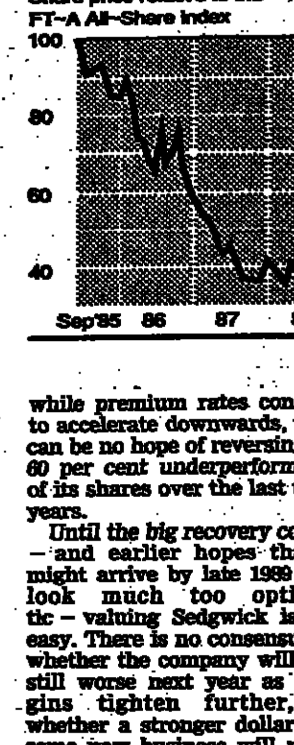
However, the markets have almost certainly adjusted to the fact that 1988 economic growth is going to be far more buoyant than expected only a few months ago, and the main concern now is what happens next year. The effects of the recent monetary tightening will take some months to show through, but the latest data suggest that West Germany should be able to continue growing above its recent average of 1.7 per cent per annum. One of the main reasons is that after several years of relative strength, the D-Mark is now marginally weaker against the dollar than it was a year ago, and this should bolster the competitive position of the export sector. All of this should be good news for German corporate profits, and Goldman Sachs, for example, is now forecasting 10 per cent earnings growth this year, whereas earlier this year it had been expecting another year of lower earnings.

Sedgwick

If the market awarded points for trying, Sedgwick's 25 per cent fall in first half profits might have scored highly. As it was, the company's not inconsiderable achievement in holding costs steady was lost against its tumbling revenues. No matter how hard it tries, Europe's biggest insurance broker cannot escape the sickness of the insurance market, and

Sedgwick

Share price relative to the FT-A All-Share Index



while premium rates continue to accelerate downwards, there can be no hope of reversing the 60 per cent underperformance of its shares over the last three years.

Until the big recovery comes – and earlier hopes that it might arrive by late 1989 now look much too optimistic – valuing Sedgwick is not easy. There is no consensus on whether the company will fare still worse next year as margins tighten further, or whether a stronger dollar and some new business will make 1988 the nadir. In one sense, whether Sedgwick makes £50m or £90m in 1989 may not matter, as even on the higher estimate the shares are on an ill-deserved p/e of 15.

But in another way it may matter greatly. Sedgwick's shares appear to be well supported by a yield of 7 per cent and by the hope that Transamerica may bid when it is able to next year. However, neither provide an altogether solid floor. This year it is touch and go whether the dividend will be covered, and if earnings fall further next year, it is just possible that the new management would choose to cut it. Moreover, as Transamerica does not want to increase its exposure to insurance much further, an outright bid seems unlikely; while finding somebody prepared to spend £1bn or so on a company in a difficult market could take some doing.

Bowater Industries

Yesterday's interims from Bowater were the first real chance for the new management to show its paces, and the results look well up to scratch. The 76 per cent jump in pre-tax profits owes much to the Rexham acquisition; but the profits rise in the existing business of 33 per cent (on sales 11.5 per cent higher) shows the BTR-derived emphasis on trading margins doing a much-needed job. The process is, of course, a finite one, but the combination of cost-cutting and capital investment looks capable of sustaining the improvement at least through next year. For this year, pre-tax profits should come close to £75m, which puts the shares – almost unchanged yesterday at 419p – on a multiple of just under 10.

Where the rating now goes may partly depend on how the market ends up categorising a company whose shape is still mainly due to historical accident. No longer in paper (Australian tissues excepted) and with dwindling emphasis on packaging, Bowater obviously risks being classed as a straight conglomerate. But it has no history of Hanson-type dealing, barring perhaps the singularly inept disposal of its UK paper business two years ago; and although at the time of last year's purchase of Rexham it spoke of further diversification, it now sees Rexham's coatings and laminates business as itself forming the basis of the desired fourth division.

The resulting promise of higher-quality organic growth and greater transparency in earnings may protect the shares from the worst of conglomerate status. But there are cyclical aspects to the business, and though the shares probably deserve a better rating, they may be a while in getting it.

IMI

If IMI was an American company it would be held up as one of the new breed of "rust-belt" companies which have slimmed down, restructured and found a new lease of life. Instead, it is regarded as a rather boring Midlands metal-basher; and although it has been able to produce average earnings growth of over 20 per cent per annum over the last five years, a prospective multiple of 8¾ and above average yield reflects the market's prejudices about its long-term growth potential. A 21 per cent rise in first half pre-tax profits owed a lot to another jump in trading margins, and given that these have already more than doubled over the last five years, there is an understandable suspicion that they may be close to a peak. IMI disputes this, pointing to the rapid growth of its high margin businesses such as fluid controls. If that is correct – and it might be – the shares deserve a rerating.

New bribery allgations

Continued from Page 1

active in pursuing the Recruit Cosmos affair.

The scandal erupted in June when it was revealed that 76 people, including aides to top politicians, had received shares in Recruit Cosmos, a property company, before it was floated by its parent Recruit. They later made huge windfall gains.

The affair has cast a shadow over Mr Takeshita's tax bill by drawing attention to the stock market, where tax evasion is common.

It appeared over the weekend that interest in the scandal was fading when an anti-tax candidate was defeated in a controversial gubernatorial election at Fukushima.

● Meanwhile, Recruit Cosmos, which is traded on the over-the-counter market, is being banned from raising new capital for the next three years as a punishment for the affair.

UK set to increase troops in N Ireland

By Michael Cassell in London and Peter Bruce in Gibraltar

THE UK Government is considering an increase in the number of troops in the province of Northern Ireland as part of a package of measures for tightening up security and cracking down on the Irish Republican Army.

Other measures believed under consideration include the ending of a suspect's right to silence in terrorist cases, fresh initiatives to improve intelligence-gathering and the provision of bigger payments to informers.

The proposals were discussed at Downing Street meetings yesterday which coincided with the start of the inquest in Gibraltar on the three IRA terrorists killed there by the SAS in March.

As well as Mrs Margaret Thatcher, Prime Minister, and Mr Tom King, Northern Ireland Secretary, several other cabinet ministers were understood to have taken part in the talks, which were the sequel to Downing Street discussions held last month in the wake of the murder of eight British soldiers in Tyrone.

The reintroduction of selective internment is believed not to be under active consideration because of the counter-productive impact ministers believe it would have on efforts to curb IRA activities.

British ministers, keen to make advances on a broader political front, are expected to hold an early meeting with their Irish counterparts under the auspices of the Anglo-Irish conference.

The UK Government has served clear notice on Mr Felix Pizzarello, the coroner, that it intends to do its utmost to protect the intelligence operation that preceded the killings.

Mr Patrick McGrory, chief counsel for the families, attacked sections of the British press for reporting the shootings in a way which would have turned Gibraltarians against his clients.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	25	77	Dubrovnik	S	27	81	Malta	F	29	84	Rhodes	S	31	88
Algiers	S	30	86	Edinburgh	F	16	61	Manchester	C	17	63	Rio de J'o	C	23	74
Amsterdam	F	20	68	Faro	S	30	86	Manila	C	33	91	Rome	F	34	93
Athens	F	35	95	Florence	C	22	72	Melbourne	S	19	66	Salzburg	C	18	64
Bahrain	F	38	100	Frankfurt	F	22	72	Mexico City	R	21	70	San Francisco	C	23	74
Bangkok	C	32	90	Funchal	F	25	77	Miami	C	28	82	Seoul	F	30	86
Barcelona	S	29	84	Geneva	F	27	81	Milan	S	29	84	Singapore	R	31	88
Beirut	F	31	88	Gibraltar	F	24	75	Montreal	S	18	64	Stockholm	F	19	66
Belfast	R	15	59	Glasgow	R	15	59	Moscow	F	20	68	Strasbourg	F	23	73
Belgrade	C	22	72	Guernsey	F	19	66	Munich	F	21	70	Sydney	F	24	75
Berlin	F	18	64	Helsinki	F	19	66	Nairobi	C	20	68	Taipei	R	32	90
Biarritz	S	[illegible]	[illegible]	H. Kong	F	32	90	Naples	S	27	81	Tangier	S	33	91
Bombay	F	31	88	Innsbruck	C	19	66	Nassau	C	33	91	Tel Aviv	S	35	95
Bordeaux	S	31	88	Inverness	F	14	57	New Delhi	F	39	102	Tenerife	S	26	79
Brussels	S	18	64	Islamabad	F	37	99	New York	F	30	86	Tokyo	R	23	73
Budapest	S	21	70	Istanbul	F	27	81	Nice	S	24	75	Toronto	C	16	61
B. Aires	C	21	69	Jakarta	C	32	90	Nicosia	F	35	95	Tunis	S	35	95
Cairo	F	35	95	Jersey	C	20	68	Oporto	S	34	93	Valencia	S	32	90
Cape Town	S	22	72	Jo'burg	F	20	68	Oslo	F	17	63	Venice	S	25	77
Caracas	R	26	79	Lima	C	17	63	Paris	C	25	77	Vienna	F	21	70
Casablanca	F	26	79	Lisbon	F	36	97	Peking	S	28	82	Warsaw	C	17	63
Chicago	F	18	64	London	C	24	75	Prague	F	18	64	Washington	S	14	57
Cologne	F	20	68	Los Angeles	C	39	102	Reykjavik	S	09	48	Zurich	S	23	73
Copenhagen	S	18	64	Luxembourg	F	17	63								
Corfu	S	31	88	Madrid	S	34	93								
Dallas	S	16	61	Majorca	S	30	86								
Dublin	C	16	61	Malaga	S	28	82								

Readings at mid-day yesterday

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday September 7 1988

INSIDE

Chief price changes yesterday

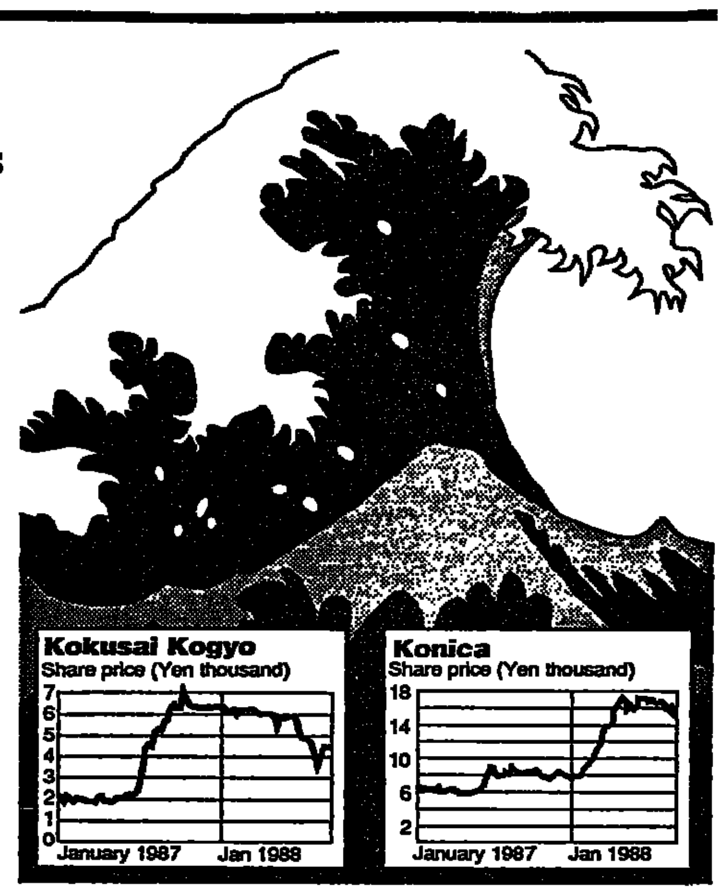
FRANKFURT (DM)				**PARIS (FFr)**			
Rises				**Rises**			
BMW	492	+	12	SAT	709	+	25
Bay Hypobank	335	+	5.5	Paris d Basc	362	+	12
Bay Vereins	333	+	4.5	Sid Rossing	1034	+	29
Deutsche Bk	475½	+	5.7	Eurotunnel	32.2	+	0.9
Lufthansa	142	+	1.5	Bic	728	+	18
Falls				**Falls**			
RWE	230½	−	1½	Dumez	646	−	12
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
Essex Chem.	35⅝	+	1⅞	Gakken	1660	+	160
Systems Int.	8⅝	+	⅝	Nippon Mining	735	+	53
Texas Air	12⅝	+	⅞	Green Cross	1980	+	180
Waste Mngmt.	38⅝	+	1	**Falls**			
Falls				Descente	900	−	120
IBM	112⅞	−	1⅛	Maiji Ship	2320	−	180
Varo	24⅝	−	1⅜	Godo Shusei	1120	−	80

New York prices at 2pm

LONDON (Pence)							
Rises							
Blue Circle	436	+	8	Taylor Woodrow	625	+	37½
Brent Walker	370	+	13	Western Motor	601	+	13
Caird Grp.	263	+	23	Wimpey (Geo.)	245	+	9
Capital Radio	324	+	14	**Falls**			
Ladbroke	444	+	9	Barker (Ch.)	137	−	21
LandLeisure	356	+	8	Cannon St. Inv.	279	−	21
Mackay Hugh	320	+	15				
Ruberoid	260	+	8				
T & N	161	+	7½				

Battling against a wave of greenmail

Stefan Wagstyl looks at new moves to combat Japanese corporate raiders



Japan is considering steps to control the country's corporate raiders, speculative investors who buy large blocks of shares and try to force a company to buy them back.

While hostile takeovers are rare in Japan, greenmail is not. Speculative investors have long been adept at buying big stakes in companies and then threatening to make trouble for the management by forcing disruptive votes at annual general meetings. The target companies have usually been as discreet as the raiders — most pay up to get the speculators off their backs.

But a sharp increase in the size and scale of the raiders' activities in the last three years has prompted the Japanese Ministry of Finance to act. It emerged yesterday that a study group sponsored by the ministry is to investigate proposals to introduce a requirement for investors buying 5 per cent or more of a company's stock to reveal their holdings.

At present, there is no disclosure requirement. A 10 per cent limit will come into effect in April, as part of a new code on insider dealing.

The proposals will not prevent greenmail outright but should make it more difficult to build up stakes surreptitiously. Stockbrokers say that everything depends on how any new rules are implemented, in particular on whether raiders will be able to get away with disguising their activities among different nominee accounts. However, the authorities have a new-found determination to improve standards of disclosure in Tokyo in resonse to foreign criticism.

Japanese greenmailers are mostly groups of wealthy individuals who put together their own money and loans raised from banks, often secured by shares or property. For a long time they concentrated on small companies in old industries such as shipbuilding, frequently choosing those with undervalued land holdings.

But the funds generated by the boom in land and stock prices in the 1980s has magnified the raiders' resources. Mr Peter Tasker, research manager of Kleinwort Benson International, says in a report: "The financial muscle of non-establishment Japan has increased at the same fiercesome pace as Japan Inc."

For example, some of the best-known raiders are companies in Azabu Group, which is headed by Mr Kitaro Watanabe, a former used car salesman turned property developer. Fortune, the US business magazine, recently put him in a list of the world's wealthiest men with estimated wealth of $1bn.

As the raiders have grown so have the targets. Nihon Land, an Osaka property company specialising in greenmail, last year made an estimated Y10bn out of raids on Mitsui Toatsu Chemicals and Toyoda Automatic Loom Works, a company connected with Toyota Motor.

This year, Nihon Land upped the stakes, buying a 22 per cent stake in Konica, the camera company which is capitalised at nearly Y600bn ($4.4bn). Konica's share price has doubled since the beginning of the year, giving the raiders a huge (if unrealised) profit.

Konica is furious, not least because the sudden upswing in its share price has, under stock exchange rules, prevented the company from issuing new shares.

The Nihon Keisai Shimbun, Japan's leading economic newspaper, estimated recently that raiders had been active in 10 per cent of the companies listed on the exchange's first section, or about 150 companies. However, quite apart from the ministry's deliberations, there are signs that the establishment is fighting back.

Last year, Korin Sangyo, one of the biggest raiders, built up a 43 per cent stake in Kokusai Kogyo, Japan's leading aerial survey company. The shares more than trebled in value, and Korin tried to sell its stake to Kokusai but the company refused to negotiate.

Then this year Mr Kenzo Masayama, Kokusai's founder and chairman who controls 15 per cent of the stock, threatened to vote with the raiders at the AGM — to the disgust of his son, Mr Akira Masayama, the company president.

But days before its annual meeting in June, Kokusai won a court order annulling the speculators' voting rights. The speculators have appealed against the judgement, which was given on the grounds that their activities were "socially unacceptable." Lawyers have questioned whether the verdict has any basis in law. In the meantime, Mr Masayama senior has been demoted to consultant.

Kleinwort's Mr Tasker says: "The outcome of this case is vital for the future of cornering operations."

The increase in corporate raiding raises questions about the future of the Japanese taboo on hostile takeovers. The law does not forbid takeovers — but makes them very difficult to achieve in the face of opposition from the management of the target company. The emphasis in Japanese corporate thinking is on self-generated growth. Shareholders' rights rank lower in people's minds than employee rights.

Nevertheless, the number of domestic takeovers is increasing, having doubled in the last five years to more than 200 in 1987. Growing number of businessmen who founded companies just after the Second World War want to retire and choose to sell, particularly if they have no heirs.

Moreover, hitherto stable shareholders — including banks and friendly financial institutions — are slowly adopting more aggressive fund management techniques. So they are likely to start buying and selling stock more than before.

But so far hostile bids have been conspicuous by their failure, most notably in the attempt by Minebea, a ball bearing maker, to win contol of Sankyo Seiki, an engineering company. Despite acquiring an 18 per cent stake in Sankyo Seiki, Minebea failed to persuade Sankyo's management of the merits of merger.

Sankyo later found a friendly shareholder in Nippon Steel, the number one steelmaker, the time-honoured Japanese way of securing a corporate older brother.

Japanese bow to foreign pressure on key bond issue

By Stephen Fidler, Euromarkets Correspondent, in London

JAPAN'S Ministry of Finance has bowed to pressure from the US and European governments and announced plans to give foreign banks and securities firms enlarged access to the underwriting and distribution of the key 10-year Japanese government bond issue.

The new distribution rules for the 10-year bonds, which account for about 35 per cent of all Japanese government bond issues, should take effect from next April, the beginning of the Japanese fiscal year.

Restricted access to the government bond market has been the largest remaining obstacle cited by foreign securities firms to their business in Tokyo.

The proposal will go a significant way to satisfy foreign critics, who have been plugging away for years at the subject, but has the added benefit for the Ministry of Finance of probably reducing its cost of funding.

According to Japanese reports, the issue was given added urgency by the prospect that US trade legislation being considered by Congress would oust Japanese firms as primary dealers in the US Treasury bond market, unless US firms were granted reciprocal privileges in Japan.

Mr Gerald Corrigan, president of the Federal Reserve Bank of New York, welcomed the moves: "I regard the far-reaching steps announced today in Tokyo as a very constructive development."

The newly-proposed rules call for 40 per cent of the 10-year bonds to be auctioned competitively. The remaining 60 per cent will be distributed pro-rata among the 815 domestic and foreign financial institutions in long established underwriting syndicate at the average price set in the auction. The share of the foreign firms' in this syndicate — there are 34 foreign securities firms and 30 foreign banks in the 815-strong group — will also be increased to 8 per cent from 2¼ per cent at present.

The bond's coupon and and issue volume will be pre-set through negotiations between the ministry and syndicate. If bidding fails to reach 40 per cent, the rest of the bonds will be take up by the syndicate according to their pro-rata shares.

In addition, four foreign firms will be appointed to the management of the syndicate group.

S&L rescue sparks controversy

By Anatole Kaletsky in New York

THE $2.5bn rescue of American Savings and Loan, second-largest US thrift institution, apparently included a controversial provision allowing the thrift's new owner, Mr Robert Bass of Fort Worth, Texas, to channel up to $1.5bn of its assets into merchant banking transactions and leveraged buyouts.

This unusual aspect of the rescue, whose outlines were announced on Monday night by the Federal Home Loan Bank Board (FHBLBB), is bound to provoke criticism in the Congress. It was confirmed by Mr Danny Wall, FHLBB chairman.

Mr Wall also said the recapitalised American Savings would continue to operate under a California state charter rather than a Federal one, allowing it much greater leeway to invest its depositors' funds.

In previous savings and loan (S&L) rescues, the FHLBB has insisted on institutions converting to federal charters, since Federal regulation generally imposes tighter constraints.

Mr Wall has argued forcefully that lax regulation at the state, rather than Federal, level was largely to blame for the industry's present troubles.

American Savings and Loan rescue, Page 23

CRA earnings hit record of A$212m in first — half

By Chris Sherwell in Perth

THE FULL impact on corporate earnings of the recent turnround in world metal prices was underlined yesterday when CRA, the diversified Australian resources group 49 per cent owned by RTZ of the UK, reported half-year profits which equalled 1987's record year result.

Mr John Ralph, managing director, said: "It's great to have some good news to report at last. After the generally poor results and adjustment of the early 1980s, the fundamentals of commodity prices are now the best they have been for 15 years."

Group net profits were A$212.5m (US$170m) for the six months to June. Including CRA's equity share of its associates' earnings, the result was A$227.6m.

Equivalent full-year figures in 1987 were A$199.3m and A$232.1m. For the comparable first six months alone, earnings were just A$16.8m before equity accounting and A$31.1m afterwards. Extraordinary gains for the six months were static at A$104m.

Revenues rose 26 per cent to A$2.9bn. Profits from aluminium, iron ore, coal and lead, zinc and silver all exceeded or matched the full-year contributions seen in 1987. Copper and gold were double last year's six-month contribution.

Apart from better commodity prices, CRA attributed the dramatic increase to reductions in corporate tax rates in Australia (49 per cent to 39 per cent) and New Zealand (48 per cent to 28 per cent), and to real improvements in operating performance and productivity.

The rise in revenues and profit, however, was offset by a nine per cent strengthening of the Australian dollar, from an average of 69 US cents in the first half of 1987 to 75 cents in the first half of 1988. Currently it stands at about 80 cents.

Mr Ralph said commodity prices were expected to remain strong into 1989, despite a fall back from the peaks attained earlier in the year. He said inventories were at historically low levels and demand remained firm.

CRA was considering unspecified acquisitions, Mr Ralph said. It also hoped for a change in government uranium policy which would allow the development of its Kintyre resource in western Australia, and was continuing coal and gold feasibility studies in Indonesia and Papua New Guinea.

The company held off announcing a dividend, pending an extraordinary general meeting to discuss a share investment plan, but promised an interim payout of at least 18 cents, a sharp rise on the 5 cents last year.

It said this would be unfranked under Australia's dividend imputation system for tax purposes, because all available franked income had been used on the 1987 final dividend.

Pernod Ricard appeal rejected

By Lisa Wood

THE FULL Takeover Panel yesterday rejected an appeal by Pernod Ricard, the French drinks group bidding for Irish Distillers, that it block a higher offer for the Irish company from rival bidder Grand Metropolitan.

The full panel upheld a decision by its executive that GrandMet, the UK drinks group, could increase its offer from I£4 to I£5.25p a share.

Grand Met unveiled the new offer on Sunday, pre-empting a lower bid of I£4.50 announced by Pernod Ricard the following day. The Pernod bid is being recommended by the Irish Distillers board.

The focus of the battle will move today to the Irish High Court, which will decide whether or not to grant a further injunction to Pernod Ricard restraining FII Fyffes, the Dublin food group, from selling a 20 per cent stake in Irish Distillers to anyone.

On Monday Pernod Ricard was granted a temporary injunction restraining FII Fyffes, arguing that it has an irrevocable undertaking from the company to commit the stake to its bid. Pernod Ricard claims to have irrevocable undertakings in respect of about 46.8 per cent of Irish Distillers which, with its own five per cent stake, would give it 51.8 per cent.

FII Fyffes appeared to change its mind on Sunday after GrandMet was freed to increase its offer, which now values the whiskey distiller at I£332m ($474m). Pernod Ricard's offer values the company at I£285m.

GrandMet had to secure the permission of the Takeover Panel to increase the bid because its first offer had been final — at the request of the panel — and any increase was dependent on a competing offer emerging.

Yesterday's full panel meeting, confirming the executive's decision, said: "The executive were right to treat the Pernod Ricard proposal — under which they would have secured control of the company before launching their formal bid — as being a bid in all but name."

GrandMet immediately sent its new offer to shareholders of Irish Distillers and said that unless Pernod Ricard at least matched its offer the board of Irish Distillers should withdraw its support for the French group's bid and recommend that of GrandMet.

Sedgwick profits drop by 26%

By Nick Bunker in London

SEDGWICK Group, the world's second biggest insurance broker, has shed 620 staff in the last 12 months but saw its half-yearly pre-tax profits drop 26 per cent to £61.9m ($105m) amid the worst trading conditions in the broking community's recent history.

In spite of winning new business, including a contract to place insurance at Lloyd's for United Airlines, the London-based group yesterday said it was planning for a continuation throughout 1989 of the cyclical downturn which began to hit the sector 18 months ago.

Sedgwick said it was pressing ahead with expense controls that have included a 4.3 per cent reduction in personnel since June 30 last year.

Mr David Rowland, chief executive, said: "These reductions can be handled within our normal staff turnover, but I would expect the trend to continue."

Among Sedgwick's difficulties has been the drop since early 1987 in premium rates for some classes of US property/casualty insurance. Another has been the low level of the US dollar, the currency for about 65 per cent of its business in 1987. Mr Stuart Tarrant, finance director, said this caused a gross profits reduction of about £10m, reduced to £5m by strategic hedging.

The company has also suffered from declining marine and aviation insurance prices in the London market surrounding Lloyd's, where Sedgwick handles about 20 per cent of premium volume.

Sedgwick's gross revenues, including investment income, fell 10.6 per cent to £319.7m in the six months to June 30. Earnings per share slipped from 12.4p to 9.8p and the group is maintaining its interim dividend at 4p. The pre-tax result was at the top end of London analysts' expectations.

The biggest percentage drop in pre-tax profits was at Sedgwick's US subsidiary, Fred S. James, partly reflecting rate-cutting by property/casualty insurers.

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THE ROMAN EMPIRE AND MILITARY AIRLIFT

Perhaps the most remarkable thing about the Roman Empire was that, at its greatest geographic extension, its security was assured by a mere thirty legions. From Scotland to Egypt no more than 180,000 regular troops kept the Empire in tranquility.

The key to this manpower-efficient defense was the metalled road.

Metalled roads provided a great logistic advantage over ordinary dirt highways, which could not support the traffic of a marching legion (around 6,000 troops and a like number of animals). Even in dry weather, movement was restricted to about twelve miles per day. In rain and snow, dirt roads were churned into quagmires, and movement stopped altogether.

But on their extensive network of paved, engineered roads, the Roman troops could march thirty miles a day—in all weather. Legions could be quickly shuttled around the empire to respond to unrest in one province, or the invasion of another. In this way, Rome could afford a much smaller defense establishment than the geographic size of her empire would suggest.

In the late 20th century this lesson of strategic and tactical mobility is still apt. For the United States, with our global commitments, our Roman roads are our airlift fleet.

Presently that logistic potential is adequate to respond to small scale crises around the world. But in the event of a major outbreak overseas, and given the strength of our current airlift fleet, there has been some debate as to our ability to protect our worldwide interests.

Flexibility is critical to an efficient defense. Julius Caesar understood it. All Romans understood it. It was the primary reason for their paved roads. Without them, the Roman Empire would not have lasted as long as it did, for the mere knowledge that legions could be on the scene within weeks was usually sufficient to keep the peace.

In the near future, the knowledge that overwhelming American force might be on the scene within hours would give pause to potential enemies. And that, in the final analysis, would be the most efficient defense of all.

Lockheed
Giving shape to imagination.

Roman road at Timgad, Algeria

INTERNATIONAL COMPANIES AND FINANCE

American S&L rescue triggers disquiet

Anatole Kaletsky reports on the Bass Group's $2.5bn acquisition of a bankrupt thrift

The wheel of history came full circle yesterday when the US financial community began to analyse the record-breaking rescue of the American Savings & Loan Association, announced on Monday night by the Federal Home Loan Bank Board (FHLBB).

Most details of the $2.5bn deal between the bank board and Mr Robert Bass, the feverishly acquisitive young billionaire from Texas, remained shrouded in secrecy, as Mr Danny Wall, FHLBB chairman, prepared himself for some tough grilling on Thursday by his Congressional paymasters.

But one novel feature of the agreement seemed guaranteed to maximise the criticism and disquiet in Washington and on Wall Street.

For it turned out that one of the main attractions of the American S&L acquisition for Mr Bass and his partners would be the opportunity to use up to $1.5bn of the $30bn thrift institution's funds for investment in merchant banking transactions and leveraged buyouts.

The question which is now bound to be asked is whether the management of the recapitalised American S&L might ultimately prove as questionable as its predecessors in its use of this cheap government-guaranteed money.

Mr Bass has recently been one of the most active dealmakers on Wall Street, initiating nearly $5bn worth of highly leveraged transactions in the publishing, cable television, and real estate industries over the past six months.

While little is known about Mr Bass's long-range plans in the thrift industry, his apparent plans to invest in leveraged buyouts may help to explain his group's insistence that American S&L would retain its California state charter, rather than converting to a federally-chartered institution.

The FHLBB's usual practice in savings and loans rescues has been to insist on a federal charter for the refinanced institution. Federally-chartered thrifts are far more restricted in their investment and funding practices than state-governed institutions.

This aspect of the rescue did not figure in the FHLBB's terse formal announcement on Monday night. That simply spelt out the financial details of the deal.

The Bass Group would invest $550m, while the FHLBB's deposit insurance arm, the Federal Savings and Loan Insurance Corporation (FSLIC), would inject $2bn through promissory notes and asset guarantees.

In addition, the FSLIC said it injected $250m of cash into American S&L as part of a preliminary receivership transaction, which took the savings unit out of its parent company, Financial Corporation of America (FCA).

However, the possibility that the recapitalised American S&L would be transformed in part into a leveraged buyout vehicle emerged in telephone interviews given by Mr Wall after Monday night's announcement.

Charles Knapp: bets finally called in

Inevitably, this may evoke unhappy recollections of the audacious Mr Charles Knapp, the irrepressible creator and subsequent destroyer of American S&L.

The principle which governed the rise and fall of American S&L was Mr Knapp's vision that wholesale money markets could be tapped on a gargantuan scale to finance gambles on the course of interest rates.

The fact that thrift institutions were seen as benefiting from implicit federal government guarantees made wholesale investors, particularly in the far-flung Euromarkets, virtually indifferent to the risks Mr Knapp was taking with American S&L and FCA.

When Mr Knapp's bets were finally called in, as a result of the interest rate spike of 1984, FCA was forced to rewrite its quarterly results to show large losses instead of previously-reported profits.

In the summer of 1984, shortly after the collapse of Continental Illinois Bank in Chicago, FCA suffered a $7bn run on its deposits, originating mostly in the Euromarkets. Mr Knapp emerged from the FCA debacle substantially enriched and with his reputation virtually undented.

Not only did he receive a $2m payoff from FCA when what was then the nation's largest thrift was taken under the FHLBB's protection, he soon found new ways of capitalising on his contacts and renown in the Euromarkets.

Less than two years after FCA's collapse, Mr Knapp launched the first ever hostile takeover bid against a Japanese company by a foreign acquirer when he offered to buy Minebea, one of the country's leading manufacturers of ball-bearings.

This bid, which also depended on intimate understanding of some of the shadowy recesses of the Euromarkets, was thwarted.

But Mr Knapp later came forward with a partial bid for Britain's Grand Metropolitan, which was also unsuccessful.

Undaunted, Mr Knapp announced last June that he was setting up a new California-based mortgage institution. His plan, predictably enough, was "to build one of the largest lending organisations in this country."

This objective was announced by Mr Lawrence Taggart, a former California savings and loan commissioner whom Mr Knapp hired to run his new business.

It is not surprising that world financial markets remain apprehensive about the future of US thrift institutions, even after the $15bn worth of rescues and recapitalisations announced in the last three months by the FHLBB.

Essex faces $366m bid from Dow Chemical

By James Buchan in New York

DOW CHEMICAL, the big US producer of bulk chemicals which is enjoying strong profits, will this week launch a $366.1m offer for Essex Chemical as part of a friendly agreement with the New Jersey specialty chemicals company.

The offer, which values Essex at $36 a share, is partly designed to thwart an attempted takeover from Gurit-Heberlein, the Swiss chemicals manufacturer which is Essex's joint venture partner in Europe.

It was not clear yesterday whether Gurit, which is barred by court order from pursuing its own tender offer, would seek to match Dow's offer.

But Wall Street analysts doubted that Gurit, which had said it was prepared to pay $32 a share, would stay in the auction against such a powerful adversary as Dow.

Essex, which operates 19 plants in the US and one in Canada, makes a range of industrial chemicals and drugs.

However, its main business is specialty products for the automotive and engineering industries.

The company earned only about $1.8m from continuing operations in 1987 because of heavy start-up costs in some businesses, though its sales were $208.8m.

But Mr Frank Popoff, who as Dow chairman is trying to balance the company's cyclical bulk chemicals with a more stable specialty business, said: "Essex complements Dow's businesses, particularly in the automotive industrial adhesives and sealants areas.

"Essex will further enhance Dow's strong specialties emphasis."

The Gurit offer, originally pitched at $24 a share, infuriated Essex because the two companies had been working together in a prosperous joint venture in the European automotive market for 20 years.

Essex sued Gurit on the grounds that it made use of private information from the joint venture. In June, a New Jersey court enjoined the offer.

La Générale to launch radical strategic plan

By William Dawkins in Brussels

THE re-organised management of Société Générale de Belgique is to produce by the end of the year a far-reaching strategic plan for the sprawling conglomerate, following yesterday's formal peace pact between the group's former embattled shareholders.

Mr Herve de Carmoy, the former director of Britain's Midland Bank, who was confirmed at yesterday's extraordinary general meeting as the group's new managing director, said: "We are determined to turn this Belgian holding company into a centre of European excellence with a global vocation."

The meeting set the seal on the reconciliation of the two rival shareholder camps led by Mr Carlo De Benedetti and Compagnie Financière de Suez, the French investment bank, which last year fought a bitter bid battle for control of La Générale.

The accord gives the Italian businessman and his supporters four seats on the 20-man board and formalises a streamlined and modernised senior management structure for the group, developed by the new investors over the past two months and involving a large reshuffle for existing directors.

Mr René Lamy, former governor, becomes president although he will retire next April, to be succeeded by Viscount Etienne Davignon, a prominent player in the battle. Mr Lamy will hand over most of his duties to Viscount Davignon at the turn of the year.

Mr De Benedetti's three boardroom allies were confirmed yesterday as Mr Peter Cohen, chairman of the US investment bank Shearson Lehman Hutton, Mr Alain Minc, managing director of Cerus, Mr De Benedetti's French-based bid vehicle and Mr René Thomas, president of Banque Nationale de Paris.

Shareholders also formalised the creation a new nine-man executive management committee, responsible to the main board and in charge of operations.

This is headed by Mr de Carmoy and includes three other new recruits to La Générale's senior management. They are Mr Marc Depuydt, former personnel director for General Motors in Europe who takes the new post of human resources director, Mr Georges Ugeux, recruited from Morgan Stanley in London to become finance director, and an as yet un-named French executive to become director of corporate strategy.

The executive management committee will draw up and execute the forthcoming strategic plan, an outline of which is expected to be unveiled in November.

The broad thrust, said Mr de Carmoy, would be to restrict La Générale's investments to companies where it could exert influence, implying that it would reassess its involvement in its more than 1,200 businesses in which it has stakes, some of them small minorities.

Yesterday's reshuffle also gives Mr de Carmoy a seat on the 11-man executive committee, an advisory body between the main board and the management committee.

The only other executives to have a seat at all three levels are Viscount Davignon and Mr Guy de Wouters, an existing director.

Procter & Gamble forms Venezuelan joint venture

By Our Financial Staff

PROCTER & GAMBLE, the leading US household and personal care products group, is forming a joint venture with Industrias Mammi, a personal care products company based in Caracas.

The US group said the venture had to be approved by the Venezuelan Government and declined to disclose terms of the agreement.

Mammi makes and markets a leading disposable nappy brand in Venezuela, together with other baby-related items. It employs about 500 workers with a plant near Caracas.

Procter & Gamble said its subsidiary, Procter and Gamble de Venezuela, had facilities in Caracas and Barquisimeto and employed about 1,000.

Joe Mann adds from Caracas: PDVSA, Venezuela's state oil company, is studying a $500m expansion programme for its natural gas liquids complex in the east of the country.

The expansion would involve installing a third processing line at the facility, the Eastern Cryogenic complex, for extracting ethane from natural gas.

The complex, which was completed in 1985 at a cost of about $1bn, exported half of last year's output.

BCI rejects ministry complaint

By Alan Friedman in Milan

ITALY's Banca Commerciale Italiana (BCI), still smarting from its inability to acquire Irving Trust of New York after a troublesome intervention by the US Federal Reserve Board, yesterday took aim at the Italian Foreign Ministry in Rome.

The Milan-based bank issued a brief and curious statement last night only a day after a senior official of the Italian Foreign Ministry was quoted as complaining that the bank would have done better in the US had it requested assistance from Italian diplomats.

BCI said yesterday it had informed the Bank of Italy, which it described as the "competent institution" of every step it had taken in the battle for Irving.

BCI also said that "it is the Bank of Italy which is responsible for handling relations with the central banks of other countries, in this case with the Federal Reserve."

The Italian bank withdrew from the battle for Irving last month after an unexpected request by the Fed for information from the IRI group, the Italian state company which has majority control of BCI and which also has a range of industrial holdings.

A Bank of Italy official said: "We confirm the Banca Commerciale press statement. We are the appropriate institution in these matters."

Reuter reports from New York: Irving has again asked the Fed not to extend its approval for a Bank of New York takeover bid for Irving when it expires today. The Fed has already extended the approval twice.

Irving has told the Fed that, with BCI dropping its bid for Irving, an extension of BNY's bid would favour that offer and discourage others. "The granting of a third extension to BNY will create the unavoidable impression that BNY has been granted special, favoured treatment, and that competing bidders will be disadvantaged," Irving argues.

Swissair drops Aerolineas interest

By Gary Mead in Buenos Aires

SWISSAIR is to withdraw its offer to buy a stake in Aerolineas Argentinas, the Argentine national airline. The Swiss airline had formed part of a consortium, including Alitalia, the Italian carrier, which in July publicly announced its interest in purchasing a 55 per cent stake in Aerolineas.

That offer was dismissed by the Argentine Government, which announced on August 11 that it had concluded negotiations with Scandinavian Airline Systems (SAS) for it to purchase 40 per cent of Aerolineas, for $204m.

Zanussi lifts sales by 15% and plans to decentralise

By John Wyles in Rome

ZANUSSI, the Italian arm of Sweden's Electrolux white goods group which is about to lose its chief executive to Alitalia, the Italian airline, yesterday combined news of strong results with the announcement of a big decentralisation of its management.

Mr Gian Mario Rossignolo, the chairman, said that the new structure aims at strengthening the global links inside the Electrolux group and at giving increased autonomy and responsibility to the company's operating units.

Mr Rossignolo also revealed that Zanussi's results for the first half of 1988 had been the strongest since Electrolux took control in early 1985 of the then ailing Italian domestic appliance manufacturer.

He said that first-half sales had risen by 15 per cent, compared with the same period in 1987, to L1,005bn ($727m) and the company's debt had been cut by 9 per cent to L370bn, despite L50bn of acquisitions. Mr Rossignolo declined to reveal net profits but he left no doubt that they were comfortably ahead of the L40bn of last year's first half.

Zanussi's sales have been riding the crest of strong consumer demand in Italy and other European countries with 70 per cent of the company's turnover coming from exports. Mr Rossignolo said that overall demand in the first half was about 9 per cent up on 1987 and that therefore it had been increasing its market share.

The most important change in the pattern of sales has been a leap in deliveries of appliances for catering and public cleaning services. Overall sales in this sector have risen by 58 per cent making them Zanussi's second largest activity after domestic appliances with 17 per cent of total turnover. Discounting the acquisition of four companies, the sales increase in this area is still 25 per cent.

Gian Mario Rossignolo: reported strong results

Meanwhile sales of domestic appliances have risen by 6.8 per cent and account for 67 per cent of total turnover. Industrial components have risen by 18 per cent to account for 16 per cent of turnover.

Mr Rossignolo said that following the departure of Mr Carlo Verri, the chief executive, the company's main operating activities would be grouped into five subsidiaries, from October 1, each headed by a managing director.

Mr Mario Vischi, a recent recruit from Italtel, the Italian state telecommunications company, will head Zanussi Elettrodomestici, Mr Aldo Sessegolo will head Zanussi Marketing Italia, Mr Gian Franco Zoppas will head Zanussi Grandi Impianti and Mr Leonello Verduzio will head Zanussi Componenti and Zanussi Tecnologia.

At the same time, Electrolux's involvement in the co-ordination of Zanussi's activities inside Italy and with the group as a whole, will be strengthened. Mr Lennart Ribohn, the senior executive vice-president of Electrolux, is to be the managing director of Elfin Holding Electrolux, the Italian company which groups Zanussi's other non-domestic appliance business.

Mr Rossignolo also revealed that the company had virtually given up hope of securing a listing for Electrolux certificates on the Milan stock exchange. He claimed that the Bank of Italy was opposed to the listing of foreign companies on the grounds that this might divert investment savings away from government securities, which have to be sold to finance the national budget deficit.

Alan Friedman writes from Milan: An official at the Bank of Italy in Rome said last night that it "was absolutely erroneous" to accuse the central bank of blocking a share listing as "that sort of decison is not our responsibility". Share listings are generally aproved by the Consob, the stock market regulatory authority.

International Fish and Meat buys ConAgra subsidiary

By Paul Betts in Paris

INTERNATIONAL Fish and Meat (IFM), the privately-owned French company which brings together the sausage, meat and fish processing interests of the Bongrain family, has acquired a subsidiary of ConAgra, the US diversified foods group.

The acquisition is part of moves to expand its American food processing operations.

Mr Herve Lasseigne, the managing director of IFM, said yesterday that IFM had bought the Moultrie abattoir in Georgia from ConAgra for an undisclosed amount. The deal will boost IFM's sales in the US to about $250m. IFM already owns the Sunnyland meat processing business in the US.

IFM was set up at the beginning of this year when Mr Jean-Noel Bongrain, the head of the French Bongrain cheese group, decided to concentrate his assets in the meat and fish processing business in a separate holding company.

IFM expects sales this year to total FFr3bn ($489m) with the US operations accounting for about 50 per cent. Mr Lasseigne said that IFM intended to continue to develop its American operations through further acquisitions.

At the same time, the company will also boost its fish processing business through acquisitions. These operations currently account for about 5 per cent of IFM's turnover.

IFM recently acquired control of Nutrimer and Cuisimer, two French fish processing companies.

The company is also about to take control of another family-owned meat processing company called Claviere, which is based in the Jura region of France.

Chargeurs' sponge maker sold to 3M

By Paul Betts

CHARGEURS, the diversified French industrial group, is selling Spontex, the world's leading maker of synthetic sponges, to 3M of the US for FFr1.1bn ($180m).

Based at Beauvais in Northern France, Spontex has sales of about FFr1bn and achieved operating profits of around FFr80m last year. It employs nearly 1,700 people in 10 different countries and has a global marketing network for its consumer products.

The French operations of Spontex, which makes cellulose as well as sponges, reported profits of nearly FFr90m on sales of FFr610m last year.

3M intends to continue marketing Spontex products under their original brand names. Mr Alain Limouzineau is expected to remain Spontex chief executive.

The disposal is part of Chargeurs' efforts to concentrate business efforts on aviation and textiles. Chargeurs controls the UTA long-distance airline and has recently acquired significant interests in the French textile business.

Chargeurs, which is headed by Mr Jerome Seydoux, has recently shed its Chargeurs Reunis shipping subsidiary, selling out earlier this year to the Delmas-Vieljeux group.

The French group said yesterday it believed 3M could provide wider development opportunities for Spontex since its operations were complementary to those of the American group.

Last year 3M reported profits of $918m on sales of $9.4bn. The American group already employs about 3,800 people in France where its sales total about FFr3.7bn.

The sale of Spontex is subject to approval from the relevant French authorities.

Unilever freight disposal talks

By Christopher Parkes, Consumer Industries Editor

FEDERAL EXPRESS of the US, one of the world's largest package delivery companies, is negotiating to buy Unilever's transport operations in West Germany and the Netherlands.

The Memphis-based company said yesterday that it expected the deals to be completed by the end of the year. The price for the businesses – Elbe Transport in Germany and Transport Groep Alvracht in the Netherlands – has not yet been disclosed.

Unilever, the Anglo-Dutch consumer goods and speciality chemicals group, said the consideration would not be significant in relation to its assets.

With combined sales of about DM400m ($216m) a year, the proposed acquisitions employ more than 2,000 people in mainly domestic operations, which include freight forwarding, contract distribution, inland waterway shipping and road haulage.

Federal Express has sales of about $4bn a year, flies a fleet of more than 200 aircraft and employs almost 60,000 people worldwide. It said the purchases would complement its international air express services, and provide improved facilities "when the packets hit the ground."

The group, which is credited with introducing overnight delivery services into North America and now commands more than a 50 per cent share of the US market, has a reputation for aggressive marketing.

However, its progress in the still-fragmented European market has been hampered by the established presence of DHL of California, TNT of Australia, and problems associated with customs barriers and bilateral air treaties.

It has lately concentrated on improving its infrastructure and has already taken over Lex Wilkinson in the UK and Williams Transport of Ireland.

For Unilever, the planned disposals reflect the continued stripping down of its operations to core interests. From 1984 to 1987 it sold more than 80 peripheral businesses. These included 13 transport companies with combined annual turnover of £225m ($380m).

The sale of the Dutch and German subsidiaries will mark a further significant step in its total withdrawal from transport and distribution in Europe.

Club Med sells stake in Wagon-Lits

By our financial staff

CLUB MEDITERRANEE, the French holidays group, has sold its 4.6 per cent shareholding in Internationale des Wagons-Lits et du Tourisme, the Belgian travel and tourism industry group.

Wagons-Lits said that Club Méditerranée had sold the stake to the other main shareholders in Wagons-Lits. Terms of the transaction were not disclosed.

The value of the transaction amounts to about BFr983m ($25m), on the basis of Wagons-Lits stock market price of BFr5,300. Wagons-Lits has a little more than 4m shares outstanding.

The other main shareholders in Wagons-Lits are Caisse des Dépôts et de Consignations, a French state-controlled financial institution, which had a stake of 26.2 per cent in Wagons-Lits before the sale; Groupe Bruxelles Lambert (GBL), Belgium-s second largest holding company, with a 16.5 per cent stake; and Rolaco, a group of Saudi Arabian investors, with a holding of 9.6 per cent.

Wagons-Lits declined to disclose the new holdings of the three companies. The company said that Club Med had decided to sell the stake because the businesses of the two companies were too diverse. Wagons-Lits mainly sells travel services, such as train travel and hotels, while Club Med is a global, tour operator.

Taiwan invests hopes in overseas banking

Bob King reports from Taipei on pressure for privatisation and expansion abroad

Taiwan's banking system is set for an important transformation as enthusiasm grows for privatising many of the state-owned banks and giving the institutions more scope to expand branch networks overseas.

Conservative financial planners are stalling proposals for privatisation and are seeking to impose limits on where the banks may establish foreign branches, but Mrs Shirley Kuo, the newly appointed Finance Minister, is a supporter of at least limited privatisation. Pressure from the banks is also thought likely to gain them an eventual free hand in deciding where they set up abroad.

The questions which remain concern the pace and the scope of liberalisation – as well as worries that the new rules may contain provisions that could maintain a bureaucratic influence over banking operations.

Almost all of Taiwan's banks are owned or controlled by the Government, and services have not kept pace with public needs.

Slow acceptance of proposals for reform, in turn, has frustrated progressive bankers who believe a cutting of the apron-strings by the financial authorities is long overdue.

The executive branch, for instance, has been slow to act on a proposed revision of the banking law which conservatives insist is necessary before further reforms can proceed.

Several respected financiers strongly object to the delays. Mr Frank Wang, vice-president of Bank of Taiwan, the island's largest, said: "The Government has no business doing business. Under the proposed revisions the Government will still retain a lot of control – and it can't work. The only way is a clean break."

Mr Liang Kuo-shu, who chairs Chang Hua Commercial Bank, believes that too much has been said and not enough done about liberalising Taiwan's archaic banking sector.

He said: "This is the programme, and what remains is to take action. But they are giving out all kinds of reasons for not taking action."

Mr Liang has good reason for frustration: four years ago, the government asked him to head a sub-committee of an important ad hoc group that was to come up with recommendations on how to revitalise Taiwan's economic and financial systems.

One of his committee's first suggestions was early privatisation. Almost everyone in the financial sector agrees that at least limited privatisation of the banking system is long overdue, but debates within the Government over terms and conditions drag on.

The conservatives' main worry seems to be that privatisation will put Taiwan's banking system under the control of vested interests – and, more importantly, beyond centralised controls that have maintained financial stability over the past four decades.

Mr Liang sought to dispel these fears by proposing that privatisation be accomplished in stages, with the Government keeping a sizeable shareholding while private management methods increase banking efficiency and lower bureaucratic interference.

The Government fears that an expansion by banks overseas will lead to a concentration in financial centres such as New York, London and Los Angeles, creating undue competition among them. It has threatened to veto any applications for branches in these areas.

Such competition in main cities, however, is exactly what the bankers have in mind. It is what one banker, reflecting the views of many, calls "our problem, not the Government's." Many bankers hope the new cabinet sworn in at the end of July will once and for all draw the line between banking as an industry and Government political concerns.

THE TAIWAN Government plans to sell shares in three state-controlled, locally listed commercial banks but will retain at least 51 per cent ownership of each, according to a Finance Ministry official, Reuter reports from Taipei.

The sales, expected early next year, would enlarge the scale of the Taiwan stock market and absorb idle funds from the private sector, the official said yesterday.

Proceeds would finance the purchase of land for public works.

The biggest of the sales would involve 23.5 per cent of First Commercial Bank, valued at about NT$70bn (US$2.4bn) at current prices. The state also plans to sell 7.1 per cent of Hua Nan Commercial Bank, worth NT$19.9bn, and 5.3 per cent of Chang Hua Commercial Bank, worth NT$14.5bn.

The Government at present owns about 75 per cent of First Commercial, 58.1 per cent of Hua Nan and 56.3 per cent of Chang Hua.

The ministry official said a proposal on the sales would be submitted this week to the cabinet for approval before final approval was sought from the Taiwan Provincial Assembly.

All three banks returned to the black in the latest year to June. Their share prices have trebled over the past 12 months.

Japan manufacturers head for profit leap

By Our Tokyo Staff

PROFITS of Japanese manufacturing companies are headed for another year of double-digit percentage growth on average, thanks mainly to low raw material costs, continuing improvements in labour productivity and higher selling prices, according to economists in Tokyo.

Mr Ken Courtis, vice-president of Deutsche Bank Capital Markets in Tokyo, said: "A lot of companies have turned into money machines." However, he and others think profit growth rates will slow significantly next year as the world and Japanese economic conditions soften.

Several Japanese economic research institutes have just published general forecasts for corporate profits in the year to next March, based on predictions made by individual companies.

For example, Okasan Economic Research Institute says in a study of 493 listed companies in all sectors that the average increase in their pre-tax profits will be 13 per cent after an 18.1 per cent rise last year.

The manufacturing companies within the sample are likely to have a 35.2 per cent rise in pre-tax profits after a 60.6 per cent rise last year, Okasan says, while non-manufacturing companies' profits will fall 11 per cent after an 8.2 per cent rise last year.

An Okasan official said profit improvements were particularly pronounced in the steel and chemical industries. Chemical companies' depreciation charges have been substantially reduced by large-scale closures of redundant plant in the past two years.

Steel companies are benefiting from the impact of the high yen on the costs of imported coal and iron ore, as well as from strong demand.

Pre-tax profits of Nippon Steel, the world's largest steel company, are expected to be more than double this year, while those of Kawasaki Steel are forecast to treble.

Mr David Pike of UBS Phillips & Drew in Tokyo pointed out that without the dramatic rise in steel company profits, the overall picture would look much less buoyant. Last year, manufacturing profits, excluding steel, in UBS P&D's sample rose 9.5 per cent. This year, it is thought the figure will be more like 2.5 per cent.

Among other sectors doing well are electrical goods makers and other export-oriented companies.

Yamaichi Research Institute points out that average prices of goods for export to the US surpassed the previous 1982 record in February of this year, underlining the ability of many Japanese manufacturers to raise prices without losing sales.

Tight world markets for semiconductors and other products are also helping Japanese makers' profits. Factory operating rates are high and overtime working rates for most of this year in manufacturing industry have been about 20 hours a week.

Another factor which has been contributing to improved profits is the rapid improvement in labour productivity. Mr Courtis says productivity in manufacturing is rising more than three times faster than wages. He said: "From now on, I think we will begin to see some pressure on wages."

Earnings rise at Sage Holdings

By Jim Jones in Johannesburg

SAGE HOLDINGS, the South African financial services and property company, boosted pre-tax profits by more than half in the six months to June, to R20.9m (US$8.6m) from R13.6m.

However, the increase in attributable earnings was restricted by a greater tax bill and a larger profit share attributable to outside shareholders of subsidiary companies.

Net earnings were 41.3 cents a share against 36.6 cents and the interim dividend has been raised to 22 cents from 20 cents. Last year's earnings totalled 100.1 cents and the year's dividend was 58 cents.

● **Mutual and Federal**, the South African short-term insurer, more than trebled its underwriting surplus in the year to June as a result of greater business volumes and improved rating structures.

Net premium income increased to R593m from R424m and the underwriting surplus rose to R45.4m from R13.6m.

Investment income was also higher, leading to a pre-tax profit of R102.6m against R52.8m.

The directors said the results were affected by large floods in Natal and the central part of the country. On the other hand, underwriting benefited from an absence of large fire losses and a drop in crime-related losses.

Net earnings were 138.4 cents a share against 77.0 cents and the year's dividend has been lifted to 22.5 cents from 17 cents.

Mutual and Federal is controlled by Old Mutual, South Africa's largest insurance group.

● **Islamic Corporation**, which plans to operate a bank along Islamic principles, has gained a licence from the South African Reserve Bank after repeated applications, Reuter adds.

Mr Pik Botha, Foreign Minister, had intervened with the central bank to grant a licence.

Pokphand plans HK$417m rights issue

By Michael Marray in Hong Kong

C.P. POKPHAND, the Thai controlled agri-industrial concern which was listed on the Hong Kong Stock Exchange earlier this year, yesterday announced that it was returning to the market for more funds with a rights issue to raise HK$417.2m (US$53.5m).

This is well in excess of the amount initially raised in April, when the offer of 109.5m shares at HK$1 each attracted a staggering HK$28bn worth of subscriptions.

These new shares amounted to about 25 per cent of the company's capital, leaving more than 70 per cent in the hands of a company named Pakeman, controlled by three Thai directors of C.P. Pokphand.

Pakeman has undertaken to subscribe or find suscribers for its rights, while the balance of the issue will be underwritten by a group of merchant banks.

The three-for-five rights issue is priced at HK$1.30, a discount of 28 per cent to Monday's closing price of HK$1.81.

About HK$292m of the cash raised will be used to invest in three agribusiness projects in China, while HK$35m will go to a prawn farm in Thailand. The balance will be used for future investment opportunities.

Pokphand released its interim results yesterday, which revealed profits after tax and minorities for the six months of HK$51.6m, with extraordinaries of HK$12.9m boosting attributable profits to HLK$64.5m.

The net profit forecast for the year has been raised from $70m in the original flotation prospectus to HK$95m.

Meanwhile Tung Wing Steel, a leading supplier of metal bars to the Hong Kong construction industry, has cancelled its proposed listing at the eleventh hour after being served with a HK$10.5m writ from Leighton Contractors (Asia).

Resi-Statewide society to become a bank

By Bruce Jacques in Sydney

THE MELBOURNE-BASED Resi-Statewide group, Australia's second largest building society, is joining the industry stampede to convert to a bank.

Mr Chris Stewart, managing director, said yesterday that the group would become the Bank of Melbourne from July 1 next year. He said it planned a public flotation

Resi-Statewide is the sixth Australian building society to make the transition to banking status since financial deregulation began in earnest about four years ago.

Among the leading building societies, only St George, the country's largest, continues to hold the line against conversion to a bank, even though it would greatly broaden the scope of available operations.

Mr Stewart emphasised this benefit yesterday by foreshadowing expansion of the Bank of Melbourne to all states – building societies must restrict their operations to one state.

He said the new bank's main business would still be provision of mortgage finance, with a lending target of nearly A$1bn (US$800.3m) for 1988-89.

Mr Stewart also announced that Resi had almost doubled its after-tax surplus to A$15.5m, that it had more than doubled lending to A$772m and that it had lifted net assets to nearly A$2.5bn in the latest year to June.

He said: "There is room for another consumer bank in Victoria and the other major states. The major banks are formidable competition, but they are diverting some of their energies and resources into expansion overseas, while the State Bank of Victoria is concentrating increasing resources on consumer business."

Mr Stewart said the decision to convert followed a two-year study and that Melbourne brokers J.B. Were had been appointed for the flotation.

Marui lifts profits 17.8%

MARUI, the Japanese department store chain, lifted pre-tax earnings 17.8 per cent to Y23.68bn (US$174.1m) in the first half to July, AP-DJ reports from Tokyo.

Company officials said strong personal spending and price stability helped bolster sales and earnings. Sales grew 12 per cent to Y228.7bn. Net earnings rose 25 per cent to Y11.85bn, or Y37.33 per share against Y30.55.

Sales of household goods, clothing and accessories, accounting for 91.2 per cent of business, climbed 12.9 per cent to Y208.4bn. Revenue from financial services totalled Y15.57bn, a 5.1 per cent increase. Marui expects sales for the year to rise 10.3 per cent to Y490bn.

United Mizrahi Bank up 72%

By Andrew Whitley in Tel-Aviv

UNITED MIZRAHI Bank, the last of Israel's leading banks to report its half-year results, boosted net profits 72 per cent to Shk14.6m (US$8.9m).

Mizrahi, owned by a Jewish religious foundation, has also put up for sale its 51 per cent stake in Finance and Trade Bank, a specialist subsidiary. Interest has been shown by several Israeli and foreign investors, but negotiations are still at an early stage.

Unlike its local competitors, Mizrahi did not reveal its provisions for bad debts – a handicap which has dogged the Israeli banks for several years – other than to say that these had been calculated on a "conservative basis." A property write-off of Shk7.4m was also made.

Total assets were down by 3.4 per cent in inflation-adjusted shekel terms to Shk10.7bn because of exchange rate factors.

Citibank proposal sparks protests

By Our Tokyo Staff

A PLAN by Citibank, the US bank, to handle foreign remittance services on behalf of the Japanese post office has provoked angry protests from Japanese banks.

Under the proposals, post office account holders would be able to transfer funds overseas using Citibank's worldwide branch network. The service would compete directly with Japanese banks' own transfer systems, which currently handle most overseas remittances out of Japan.

An official of the Federation of Bankers' Associations of Japan said: "This is not good news. Maybe Japanese banks will try to stop this."

No one at Citibank was available for comment. The Ministry of Posts and Telecommunications said that it had received an application from Citibank, the first proposal of its kind from a private company.

The ministry was studying the plan but had not yet made up its mind, it said.

The proposal fits into Citibank's worldwide strategy of expanding retail banking services.

At a time when some other US banks have been cutting services to individual clients to concentrate on companies, Citibank is doing the opposite.

The company has plans to expand its branch network in Japan from six.

Suitors woo Japanese savers

Stephan Wagstyl on banks' reaction to depositors' changed habits

Japanese savers are turning away from the country's post office and commercial banks, the traditional home for their money, in the wake of the abolition this spring of tax breaks on small deposits.

They are moving their funds into trust banks, life assurance companies and securities houses – all of which are offering higher rates of return.

The banks and the post office are handicapped in the race for savers' money because they are locked in an argument with each other and with the Ministry of Finance over the deregulation of interest rates paid on small savings accounts.

According to Mr Teruyuki Takahashi, a general manager at the Federation of Bankers' Associations: "We are under great pressure." Banks had expected to lose funds as a result of the tax changes but many underestimated how much money would go.

Until April, nearly half of Japan's Y640 trillion (US$4.7 trillion) of personal savings was kept in small savings accounts which earned tax-free interest under a system called *maruyu*. In theory, each individual was limited to Y14.5m in such accounts; in practice, the system was widely abused, with thousands of accounts in the names of fictitious characters, pets and dead relatives.

The abolition of *maruyu*, in the name of promoting the liberalisation of Tokyo's financial markets, provoked a rush of competition for savers' funds. Salesmen are bombarding housewives, the traditional managers of Japanese household savings, with advertisements and offers of free gifts.

Life companies and securities companies had been expected to corner the market. By investing in the equity markets, they are often able to offer the highest yields. But uncertainty about the prospects for the stock market have led many investors to put their money instead into loan trusts run by trust banks. This money can be invested in loans and bonds but not equities.

In the four months from March to the end of June, city (leading commercial) banks lost a huge Y2,177bn from their time deposit accounts, the most important accounts for small savers. This compared with a gain of Y290bn for the same period last year. In addition, some Y680bn left the post office.

Life assurance companies gained Y2,150bn for the single premium policies, instruments which have been selling so well that the Ministry of Finance has been leaning on the life insurers to make them less aggressive salesmen. Securities companies attracted Y3,120bn, down on last year when the stock market was soaring.

The surprise performers have been the loan trusts, which gathered Y1,180bn for their top selling product, a five-year deposit called "Big." Mr Naofumi Okada, a general manager of Yasuda Trust and Banking, says: "People prefer medium risk and medium reward. That is the Japanese mind."

Yasuda offers a return of 5.4 per cent on its "Big" account, which is matched by similar terms from other trust banks.

By comparison, life companies offer a target return of some 7.5 per cent on five-year and 10-year single premium policies – and securities companies' investment trusts advertise the same and more – but in neither case is the principal guaranteed, as it is at the trust bank.

WHERE PERSONAL SAVERS PUT THEIR MONEY

Flows in and out of selected investment accounts, March-June (Ybn)

	1988	1987
Post Office	-680	-550
City banks' time deposits	-2,180	-290
Trust banks' "big" accounts	1,180	-120
Life insurers' single-premium policies	2,150	1,250
Securities companies' investment trusts	3,120	4,240

Bankers wring their hands at these figures. As a result of deregulation, they can offer competitive rates on large deposits of Y50m, coming down to Y30m in the autumn. Below this figure, the banks currently offer about 3.6 per cent on two-year deposits. It is no surprise to them that the customers are going elsewhere.

The banks' attempts to get rates on small deposits freed are opposed by the post office which, under the current controlled rate system, is allowed to offer rates slightly higher than the banks. Banks say that the notoriously inefficient post office, with 14,000 outlets, is scared of competition.

The banks hope that rates will be deregulated by the end of next year so they can meet head-on the attack from trust banks and the rest.

In the meantime, they are advertising their advantages – such as the convenience. Dai-Ichi Kangyo, the largest bank, has more than 300 outlets, compared with 55 for Yasuda, the biggest trust bank. Nomura Securities, the largest broker, has about 150. Banks are working hard at selling new forms of flexible current account with automatic overdrafts on offer for the right customers.

The prizes in the competition for deposits are colossal. Household savings have grown by 150 per cent in the past 10 years and are still growing. In addition, Japanese savers are becoming more sophisticated – seeking advice on real estate development, overseas investment and other areas where banks and brokers are ready to offer (that is, sell) advice. Credit cards, another lucrative field in personal finance, are still relatively new in Japan.

Strong D-Mark triggers speculation over EMS

By Our Euromarkets Staff

A FLURRY of new D-Mark deals emerged on the most active day in the international bond market in several weeks amid speculation that the European Monetary System would have to be realigned.

Four new deals were launched yesterday, one equity-linked, totalling DM635m.

The mark's strength forced the lira and the French franc down to their lowest allowable levels in the EMS, sparking speculation of a currency realignment within the system.

In the West German domestic bond market, prices gained on average 20 to 40 basis points on the view that that the currency's recent stability may allow yields to stabilise or actually ease.

Meanwhile, the Bundesbank announced a new repurchase agreement at a fixed-rate of 4¼ per cent, unchanged from recent issues, further reassuring the markets about its intentions.

On Monday, the Bundesbank fixed the terms of a new federal government bond totalling DM4bn with a 10-year maturity with a 6½ per cent coupon and 100½ issue price. The bonds continued to meet good demand yesterday.

Eurobonds gained a more modest 5 to 150 basis points in quiet trading quiet trading, despite the emergence of several new issues.

A mark Eurobond trader said: "Investors want to be in the hard currencies and their choices are the dollar or the D-mark."

Investors have been holding their cash in the West German currency all summer, waiting for both yields and borrower quality to improve.

But the warm reception accorded several West German bank borrowers in their own currency last week and the latest rally in US Treasury bonds served to convince underwriters that investors are now prepared to return to the markets.

INTERNATIONAL BONDS

Lufthansa International Finance (Netherlands), a wholly-owned subsidiary of Lufthansa, issued a seven-year DM300m Eurobond with a 6¼ per cent coupon priced at 101. The issue, priced to yield about 20 basis points less than government bunds, was said to be well received.

By comparison, the Commerzbank and Deutsche Bank deals launched in Deutsche marks last week yielded a more modest 5 basis points below bunds.

Banque Exterieur d'Algerie, the state-owned Algerian bank, yesterday issued a five-year DM150m Eurobond bearing a 7 per cent coupon and priced at par.

NordDeutsche Landesbank launched a DM75m five-year Eurobond for its Luxembourg subsidiary with a 6 per cent coupon and priced at 101¼ which is not expected to be widely traded.

A sign of the congestion in the dollar-denominated market for Japanese equity warrant bonds turned up in Frankfurt where Takiron Co, a Japanese plastics processor, launched a five-year Eurobond with warrants carrying an indicated coupon of 1¾ per cent. The bonds were originally slated to be launched in dollars.

Eurodollar bond prices, meanwhile, closed virtually unchanged in light trading and wider spreads on some secondary market issues had been seen. The failure of Eurobonds to march in lock-step with Treasuries in last week's rally has actually made some of the recent issues more attractive

The first 10-year Eurobond in dollars in nearly three months was seen, as Credit Suisse First Boston launched a $150m issue for Hydro-Quebec, guaranteed by the Canadian province of Quebec. The bonds, carrying a Aa3/AA-credit rating, were assigned a coupon of 9¾ per cent and priced at 101½ to yield 60 basis points over Treasuries.

Meanwhile, the EEC launched a Ecu100m 4½-year Eurobond with a coupon of 7¼ per cent and priced at 101¼.

New Zealand bank in bond appeal

By Stephen Fidler, Euromarkets Correspondent

DFC NEW ZEALAND, the former New Zealand Development Bank being sold to the private sector this year, is to ask Eurobond holders to waive a clause in the bond documentation relating to the maintenance of government ownership in the company.

Holders of DFC's $100m 11 per cent issue due in 1995 and its A$50m 13 per cent issue, due in 1990, have been invited to a meeting, called for September 29 in London, over the question.

In an unusual move which it said was meant to compensate investors for any change in the market treatment of the bonds, the firm is offering investors in the US dollar bond a ¼ per cent one-off payment, while holders of the Australian dollar issue will be offered ½ per cent.

Faber Merlin to be sued

By Wong Sulong in Kuala Lumpur

INVESTORS holding 17.74m ringgit (US$6.8m) worth of loan stocks of Faber Merlin have voted to sue the Malaysian hotel and property group for defaulting on redeeming its debentures.

The loan stockholders, who met at the weekend, unanimously authorised Mayban Trustees Berhad, their trustees, to proceed with legal action to enforce payment.

Faber Merlin issued 54m ringgit of convertible unsecured loan stocks in 1983, most to the Fleet Group controlled by the Prime Minister Mr Mahathir Mohamad's United Malays National Organisation, which opted to convert them into shares so that the Fleet Group is now the biggest shareholder.

However, 17.74m ringgit was outstanding at the date of maturity at the end of last September.

Since it defaulted on the redemption, Faber Merlin had made several proposals to resolve the issue, all of which fell through.

Faber Merlin operates the biggest hotel chain in Malaysia.

Paris futures contract

By George Graham in Paris

THE PARIS financial futures market is to introduce a new short-term interest rate contract tomorrow.

The new contract will be based on the Paris interbank three month offered rate (Pibor 3 month) calculated daily by the French banks association and already traded over the counter since June 1987.

It is expected largely to displace the existing Paris futures exchange contract on Treasury bills, which has proved a failure since its introduction two years ago, although the bill contract will remain in existence.

Pibor, which has recently served as the indexation basis for a number of floating rate bond issues, including large issues of subordinated debt by the Société Générale, Banque Nationale de Paris and Compagnie Bancaire banks, has become the principal money market reference rate in France,

The new Pibor contract follows the introduction last month of a stock index future, the CAC40, for which trading began in haste.

More scope for banks in Norway

By Karen Fossli in Oslo

NORWAY'S savings banks – hitherto self-owning, self-financing institutions limited to domestic ownership – have been granted permission by the Ministry of Finance to implement the use of Primary Capital Certificates (PCCs), a new financial instrument which will enable them to raise fresh equity capital and expand their ownership structure to include a limited percentage of foreign shareholders.

The PCCs will be quoted on the Oslo Stock Exchange, traded like usual stocks and will be governed broadly by the same legislation as that for listed stocks.

They are likened to preferential shares and will yield a dividend which, in times when the banks suffer losses, their accumulated reserves could provide the means to ensure dividend payments.

They will be subject to a turnover tax – 0.5 per cent for the seller and 0.5 per cent for the buyer – as are other listed shares on the Oslo bourse.

Norway's savings banks comprised a two-tier organisational structure including a board of representatives which decides mergers and acquisitions and will be responsible for issuing PCCs, and a board of directors which is responsible for the day-to-day operations of the banks.

There are two types of savings banks, local and regional. The 15 regional savings banks are full-service banks which compete with the commercial banks and hold 80 to 85 per cent of the total assets of all Norwegian savings banks.

There are 140 local banks which are small and do not aspire to compete with the commercial banks. The savings banks in 1987 experienced net earnings of NKr1.45bn ($209m) compared with net losses of NKr1.26bn experienced by the commercial banks.

For 1988, they are forecast to achieve pre-tax earnings of NKr3bn, a 10 per cent increase over last year.

By July 1992, the savings banks must meet the same statutory requirements for maintaining an equity/capital ratio of 6.5 per cent as the commercial banks.

Two banks are currently sketching out details to launch the first PCCs as they will in future need more equity capital to sustain the growth of overall assets.

Limitations on foreign participation will be the same as that for commercial banks – foreigners can hold up to 15 per cent in Norwegian banks with scope to expand to 25 per cent by concessionary application.

Mobil to acquire Newmont oil side

MOBIL, the US oil company has agreed to acquire the US mining group Newmont Mining's US oil and gas interests, which account for about 2,000 barrels a day of crude oil and 42m cu ft a day of natural gas, Reuter reports from New York.

The acquisition is subject to official filing requirements and other conditions, and is expected to be completed within 60 days.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on September 6

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7⅛ 92	200	94	94⅝	0	+0¾	9.55
All Nippon Air 9⅛ 97	100	†94⅜	94⅞	+0¼	+1⅛	10.32
Amer. Brands 8⅞ 92	150	†97⅛	97⅝	+0¼	+1⅛	9.71
A/S Eksportfinans 7⅝ 93	100	†93¼	93⅝	+0¼	+1⅛	9.25
A/S Eksportfinans 7¼ 92	150	†93⅛	93⅞	+0¼	+1⅛	9.52
Barc. Bk. Fin. 10¼ 89	200	†99⅞	100⅜	+0¼	+0½	10.05
B.F.C.E. 7 92	150	93	93½	0	+0½	9.28
British Telecom 7⅞ 96	250	89½	90	0	+⅞	9.52
Cal.Nat.Telecom 8½ 93	160	†97⅝	98⅛	+0¼	+1⅛	9.08
Canada 9 96	1000	†98½	99	-0½	+1	9.22
Canadian Pac 10¼ 93	100	†101⅞	102⅜	-0⅛	-0½	10.11
C.C.C.E 7¼ 91	113	†93¼	93⅝	+0¼	+1⅛	9.66
C.C.C.E 9¼ 95	300	98½	99⅛	-0⅛	+0⅞	9.49
C.N.C.A 7¼ 91	150	†94	94½	-0⅛	+0⅜	9.34
Credit Lyonnais 9 91	200	†100⅛	100⅝	+0¼	+1⅛	8.72
Credit National 8¼ 93	200	96	96⅜	+0⅛	+0⅞	9.30
Credit National 7⅞ 92	100	94⅜	94⅞	+0¼	+1	9.16
Credit National 7¼ 91	150	†94⅞	95⅜	+0¼	+1⅛	9.01
Denmark 7⅛ 92	500	†93⅝	94⅛	+0¼	+1⅛	9.23
E.E.C. 7 91	100	94⅛	94⅝	0	+0⅝	9.06
E.E.C. 7¼ 93	250	92⅝	93⅛	0	+0⅝	9.24
E.E.C. 8 90	350	†98	98½	+0⅛	+0⅜	9.03
E.I.B. 7⅝ 93	100	93⅛	93⅝	0	+0¾	9.25
E.I.B. 9⅝ 97	150	98½	99	0	+0⅜	9.59
Elec.De France 9 98	200	95⅞	96⅜	+0¼	+1¼	9.62
Finland 7⅞ 97	200	89⅛	89⅝	-0¼	+0⅜	9.77
Finland 7½ 93	200	†92¾	93¼	+0¼	+1⅛	9.31
Finn.Exp.Cd. 8½ 92	200	98⅛	98½	-0⅛	+0⅜	9.07
Ford Motor Credit 8 91	250	97⅜	97¾	-0⅛	+0⅜	9.11
Gen Elec Credit 10¼ 00	200	†100⅛	100⅝	-1⅛	0	10.16
G.M.A.C. 8 89	250	99⅝	100	-0⅛	+0⅝	0.08
Halifax BS 9½ 93	200	†99⅜	99⅞	0	+0⅞	9.58
Hoesch 8¼ 97	100	†93⅞	94⅜	+0¼	+1⅞	9.26
Italy 9 90	1000	100⅜	100⅞	-0⅛	+0¼	8.64
L.T.C.B of Japan 8 91	100	†97¼	97¾	+0¼	+1⅛	9.00
L.T.C.B. of Japan 8 97	200	89½	90⅛	+0⅛	+1⅜	9.84
Merceds-Benz Cd. 8½ 95	100	†95⅝	96⅛	+0¼	+1⅛	9.36
Metropolis Tokyo 9½ 93	200	100¾	101⅛	+0⅛	+0⅜	9.18
Morgan Guaranty Tst. 7 90	150	97½	98	+0⅜	+0⅜	8.59
Norway 8¼ 93	500	98⅛	98⅞	+0⅛	+1⅛	9.11
Pepsico Inc 7⅞ 93	200	†92¾	93¼	-0⅛	+0⅝	9.27
Portugal 8¼ 91	300	†98⅛	98⅝	+0¼	+1⅛	8.95
Prudential Crp. 8⅞ 94	125	97⅜	97⅞	+0¼	+1	9.31
Qantas Airways 10⅛ 95	140	103½	104⅛	-0⅛	+1¼	9.59
Saskatchewan 10⅛ 92	100	103¾	104¼	+0¼	+0⅝	9.31
State Bk S Aust 9¼ 93	100	99	99½	0	+0⅞	9.43
Swed Exp Cred 7¼ 91	100	*†94⅛	94⅛	0	0	9.34
Swed Exp Cred 10 92	100	†101⅞	102⅜	+0¼	+1⅛	9.27
Sweden 7 91	250	94½	95⅛	0	+0⅞	9.01
Sweden 7 92	250	†93	93½	+0¼	+1⅛	9.36
Sweden 8⅛ 96	200	95¾	96¼	+0½	+1¼	9.50
Sweden 8½ 92	200	†98	98½	+0⅛	+0⅝	9.04
Victorian Rep 11⅝ 92	150	106¼	106¾	-0⅛	+0¾	9.40
World Bank 7 92	300	*†93¼	93¾	0	0	9.39
World Bank 9 97	300	97	97½	+0⅛	+1¼	9.47
Yasuda Trust Fin 8½ 93	100	96	96½	+0⅛	+1	9.49
Average price change... On day +0 on week +0⅞						

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	100⅛	100⅝	-0⅛	0	5.90
Avis Fin.SVS 5⅞ 92	100	100⅞	100⅜	0	+0½	5.70
Bank of Tokyo 5¾ 93	100	99⅞	100⅜	0	+0⅜	5.71
Central BK. Turkey 7 92	200	102½	103	0	+0⅛	6.21
Commerzbank o/s. 5⅜ 93	300	97¾	98⅛	0	-0⅜	5.90
Degussa Int. 6⅛ 97	200	97⅞	98⅜	+0⅛	-0⅛	6.41
E.I.B 5½ 98	150	96⅜	96¾	-0¼	-0¼	5.97
E.I.B 6 97	300	99⅞	99¾	+0⅛	+1⅛	6.07
E.I.B. 6⅛ 96	300	100½	100⅞	+0⅛	+0⅜	6.02
E.I.B. 6⅛ 97	400	100½	100⅞	+0⅜	+1⅛	6.00
E.I.B. 6⅞ 95	300	104¼	104½	0	+0¼	6.12
Euro.Coal& Steel 5⅞ 97	175	98¼	98⅝	+0¼	+0¼	6.12
Eurofima 6¼ 96	100	102⅛	102⅝	-0⅛	+0⅛	5.86
Elec De France 5¾ 97	300	97⅛	97⅝	0	+0⅝	6.14
Forsmark Krtg. 5⅛ 93	200	97¼	97⅝	-0⅛	-0⅛	5.80
I.A.D.B. 6 97	200	98⅜	98¾	0	+0⅛	6.22
Japan Dev. Bk. 5⅞ 95	300	†97⅛	97⅝	+0⅛	+0½	5.86
Japan Finance 5¼ 97	100	95⅜	95⅞	0	+0⅜	6.43
Ireland 6½ 97	300	99¾	100⅛	+0⅛	+0⅝	6.49
Korea Dev BK 6⅝ 93	100	100	100½	+0⅛	-0⅛	6.55
Malaysia 6¼ 94	150	99½	100	-0⅛	-0⅛	6.30
Nat. West BK. PLC 6 98	300	†95½	96	+0⅛	+0⅛	6.60
Nippon Telg.&Tel. 6 95	400	†100⅛	100½	+0¼	+0⅛	6.06
Oesters. Kontbk. 5 93	300	97⅞	98⅜	0	+0⅛	5.48
Portugal 5¾ 92	150	99¾	100⅛	0	0	5.75
Portugal 6⅝ 95	150	102	102½	0	0	6.21
Privatbanken 5¼ 93	150	96⅛	96⅝	0	+0⅛	6.19
Royal Insurance 5½ 92	300	99½	100	+0⅛	+0⅛	5.57
Soc Cent Nuclear 7¼ 95	150	102¾	103⅛	0	0	6.68
Turkey 6½ 95	500	†98	98¼	+0¼	+0⅛	6.85
Westlb. Finance 5 93	200	*†97⅛	98	0	0	5.54
World BK. 6¼ 97	600	101	101¼	+0⅝	+0⅝	6.01
Average price change... On day +0⅛ on week +0⅝						

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev.Bk. 5 96	150	†101	101¼	+0⅛	0	4.82
Asfinag 5 03	100	†100½	100¾	-0⅛	0	4.94
B.F.C.E. 4½ 98	200	†97¼	97½	0	+0⅛	4.84
B.M.W.Fin.Neth. 5 13	150	†94	94½	0	+0⅜	5.43
Britannia B/S. 4¼ 94	100	†97	97½	+0⅛	-0⅛	4.80
CIR. Int. W/W 3 93	125	†99⅞	100½	+0⅞	-0⅛	2.99
Credit Lyonnais 4¾ 00	100	†97	97½	0	+0⅛	5.06
E.I.B 4⅝ 98	150	†99⅛	99½	-0⅜	+0⅛	4.70
Fletcher Chall. 4⅞ 98	150	†96	96⅜	+0⅛	+0⅜	5.36
Kobe City 4⅝ 98	150	†98½	99	+0⅛	-0⅛	4.79
Leeds Perm. B/S. 4⅛ 93	200	†98	98¼	-0⅛	-0⅛	4.58
Malaysia 5¼ 98	100	†99	99¼	-0⅛	+0½	5.36
Maxwell Comm.Crp. 5 95	150	†101¼	102⅛	-0⅛	+0½	4.62
Nationwide Ang.B/S. 4 93	200	†96¼	96¾	+0¼	-0⅞	4.83
Nippon Telg.&Tel.4¼ 95	200	†99½	99⅞	0	-0⅛	4.31
Oesters.Ktbk. 5 03	75	†100	100½	+0¼	-0⅛	4.97
Rep.National Bk. 4 93	150	†96	96⅜	0	+0⅛	4.41
Thailand 4⅝ 95	200	†94¾	95½	0	+0⅜	5.50
World Bank 5 03	150	†98	98¼	0	0	5.18
Average price change... On day +0 on week +0⅛						

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 5⅜ 92	55	100¼	100⅝	+0⅛	+0⅛	5.23
Belgium 4⅝ 94	45	95⅜	96	0	+0¼	5.50
Canada 4⅞ 92	80	97⅛	97⅝	0	0	5.19
Elec. De France 5⅛ 94	20	98⅛	99	+0¼	+0¼	5.38
Ireland 5⅛ 93	30	98⅝	99⅛	0	-0¼	5.40
Norway 5⅛ 95	50	97⅝	98	0	+0¼	5.51
Rep. of Italy 5⅞ 92	150	*101⅜	102	0	0	5.13
Sweden 4⅝ 93	50	97	97¼	0	0	5.33
World Bank 5½ 92	50	101¼	101½	+0⅛	-0⅛	5.11
Average price change... On day +0 on week +0						

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat.BS 10¼ 93 £	50	97⅛	97⅝	+0¼	0	10.99
Alg. Bk. Ned. 5½ 92 FL	150	97½	98	0	+0⅛	6.23
Amro Bank 6¼ 92 FL	150	100⅝	101	+0⅛	+0¼	6.06
Aust.Ind.Dev. 12⅞ 93AS	100	98½	99	0	+0⅜	13.21
Barc. Bk. 10¼ 97 £	250	94⅛	94⅝	+0¼	-0½	11.24
BP Capital 9¾ 93 £	100	95⅜	95⅞	+0⅜	+0½	10.98
British Airways 10 98 £	100	92⅜	92⅞	+0⅜	-0⅛	11.28
C.I.B.C.Mort.10¼ 93 CS	100	†98½	99	0	+0⅜	11.08
Comm.Bk.Aust. 12⅝ 93AS	100	97⅝	98⅛	0	+0⅛	13.31
Coop.Ctr.Rabo.6¼ 93 FL	100	99½	100	0	-0¼	6.30
Coop.Ctr.Rabo.6 92 FL	200	99	99½	0	-0⅜	6.22
Denmark 7⅞ 92 ECU	100	100⅞	101⅜	+0⅛	+0¼	7.38
Dixons 11 95 £	90	†97½	98	0	+0¼	11.57
Deutsche Bank 9⅞ 97 £	75	†92⅞	93¼	+0⅛	-1	11.16
Dent. Bk.Aust.12⅞ 95 AS	70	99⅛	99⅝	0	+0⅛	12.85
E.I.B 10⅛ 98 CS	130	†96⅜	96⅞	0	+1	10.68
E.I.B 8⅝ 93 LF	10	†100¾	101¼	0	0	8.25
Elec.France 10¼ 95 CS	125	†97⅝	98⅛	0	+1	10.69
Euratom 7⅜ 97 ECU	145	96¼	96¾	+0⅛	+0⅜	7.94
Eurofima 7½ 92 FL	50	†104½	105½	0	0	5.92
Fed.Bus.Dv.Bk.9¼ 92 CS	75	†97½	98	0	+1¼	10.48
Ford Cr.Can.10¼ 93 CS	100	†99⅞	100⅛	0	+1	10.75
Gillette Can. 9⅝ 93 £	70	91¼	92⅜	0	-0⅛	11.82
G.M.A.C. 9¼ 93 CS	150	†95⅝	96⅛	0	+0⅞	10.89
G.M.A.C. 9¼ 92 CS	75	†94	95	0	0	11.11
G.M.A.C Aus.Fin.14 90 AS	50	100⅛	100⅝	0	+0⅛	13.69
Halifax BS 10⅜ 97 £	100	94⅝	95⅛	+0⅛	-0⅜	11.32
Imp Chem Inds 10 03 £	100	94	94½	+0½	-0¼	10.78
Inv.Industry Int.10 93 £	60	95⅜	96	+0⅛	0	11.23
Lloyds Bank 10¼ 98 £	150	93½	94	+0⅝	+0¼	11.33
Montreal Tst.10¾ 93 CS	100	†96⅞	97⅜	0	+0⅛	11.54
Mtge.Bk.Den. 6¼ 91 FL	100	100⅜	101	0	-0¼	6.45
Nat. West.Bk.13⅛ 92 AS	50	†98¼	98¾	0	0	13.57
Nationwide BS 10⅛ 93 £	75	95⅞	96⅛	0	-0⅛	11.22
Ned.Midd.Bank 6 92 FL	150	99⅝	100	+0⅛	+0⅛	6.11
New Zealand 9½ 93 £	100	94⅛	94⅝	+0⅜	+0½	11.08
New Zealand 7¼ 93 ECU	200	100	100½	+0⅛	+0⅛	7.66
Oesters.Ktbk.13⅝ 94 AS	75	101½	102⅛	0	+0⅛	13.17
Prudential Fin.9⅞ 07 £	150	†87⅝	88⅛	+0⅛	+0⅛	10.91
Royal Bk.Scot.10⅜ 98 £	125	95¼	95¾	+0⅛	+0⅜	11.45
Saskatchewan 9⅞ 91 CS	150	†98½	99	0	+0½	10.38
S.D.R. 7¼ 95 ECU	90	99¼	99¾	+0⅜	+0½	7.84
Wstd.Lb.Fin. 12½ 93 AS	50	†99	99½	0	0	12.67
World Bank 5¾ 92 FL	100	99½	100⅛	0	+0⅜	5.82
World Bank 13⅛ 92 AS	100	†99⅞	100⅛	0	0	13.30

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic.Bld 94 £	.08	99.26	99.31	21/01	10.99
Belgium 91 US	0	100.45	100.55	21/02	9
Britannia 5 93 £	0⅛	99.63	99.68	10/10	10.37
Chase Manhattan Crp.91 US	0⅛	99.42	99.60	22/02	8.94
Citicorp 98 US	†0¼	97.25	97.50	30/11	8.94
EEC 3 92 DM	10	100.55	100.65	22/02	5.63
Halifax BS 94 £	.1	99.63	99.68	9/11	11.16
Invt. in Industry 94 £	0	99.84	99.94	24/02	11.87
Leeds Perm. B/S. 94 £	0⅛	99.81	99.86	13/01	10.44
Midland Bank 01 £	.1	94.81	95.81	11/02	11.41
Milk Mkt. Brd. 5 93 £	0⅛	99.77	99.82	30/09	10
New Zealand 5 97 £	.07	99.93	100.03	18/11	11.62
New Zealand 5 01 US	0	99.83	99.94	4/02	8.62
State Bk. Nsw. 98 US	.188	100.26	100.36	13/02	8.87
United Kingdom 5 92 US	*0	100.05	100.05	7/01	7.81
Woolwich Equit.BS. 93 £	0⅛	99.53	99.58	13/10	10.44
Woolwich 5 95 £	0⅛	99.49	99.54	21/11	11.62
Average price change... On day +0.00 on week +0.04					

CONVERTIBLE BONDS	Cnv. date	Cnv price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02 US	8/87	62.	102⅛	103⅛	+0⅛	24.76
Alco Health 6¼ 01 US	†7/86	26.25	102	103	+1	-3.49
Amer. Brands 7¼ 02 US	9/87	56.7	97½	98½	0	19.81
Ashikaga Bank 2⅛ 02 US	4/87	967.	114⅞	116½	+1⅞	-0.81
Asics 5 92 DM	12/83	472.7	194½	195½	-5	8.35
CBS. Inc. 5 02 US	4/87	200.	90½	91½	+0⅜	12.60
Fujitsu 3 99 US	5/84	1106.	264½	265½	+4¼	-0.69
Kinki-Sogo Bk.2⅞ 03 US	4/88	1069.	123⅞	125⅞	+5¼	1.14
Land Secs. 6¼ 02 £	6/87	6.72	92⅝	93⅝	+0½	13.16
MCA Inc 5½ 02 US	9/87	69.62	79¼	80¼	+0⅛	28.00
Minolta Camera 2¼ 94DM	2/86	1004.	98½	98⅞	+0½	25.87
Mitsubishi Bk.1⅞ 02 US	9/87	3157.	105½	107⅛	-3	4.90
Mitsui Trust 2⅞ 01 US	10/86	1903.	117⅜	118⅜	+5⅛	3.46
Next Plc 5⅞ 03 £	11/87	4.3	99	100	+0⅛	107.69
Nishi Nipp.Bk.2⅞ 03 US	4/88	884.	108⅛	109⅛	-4⅛	4.33
Omron Tateisi 2⅞ 02 US	4/87	1318.	286⅛	287½	-9⅞	3.02
Primerica 5⅞ 02 US	4/87	64.75	65½	66⅛	-0⅛	52.55
Ranks Hovis 4¼ 03 £	1/88	3.5	108⅛	109⅛	-0⅛	1.77
Redland 7¼ 02 £	1/87	5.4	85⅞	86⅞	-0⅛	15.74
Saatchi&Saatchi 6¾ 03 £	†10/89	4.41	96⅛	97⅛	-0⅛	25.40
Texas Inst. 2¼ 02 US	9/87	82.87	73½	74½	0	51.43
W.R.Grace 6¼ 02 US	9/87	42.12	79⅞	80½	+0⅛	34.18

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

هكذا من الأصل

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You must be able to demonstrate excellent academic and analytical success, the latter gained as an analyst preferably with a leading stockbroker.

It is unlikely that candidates with less than three years' experience in this type of role will meet our client's specifications.

Naturally you will already possess excellent written and communication skills, but also you will be able to demonstrate your abilities as an innovator and independent thinker.

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If you would like to be considered, please write in complete confidence, listing any companies for which you do not wish to be considered, to: **Michael Thompson, John Sears and Associates, Executive Recruitment Consultants, 2 Queen Anne's Gate Buildings, Dartmouth Street, London SW1H 9BP.**

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Tarmac may be 'white knight' involved in talks with Ruberoid

Tarmac, building materials and construction group, is thought to have entered discussions about a possible counter-bid for Ruberoid, the roofing materials company which is the subject of a £127m hostile offer from housebuilder Raine Industries, writes Andrew Hill.

Ruberoid announced last night that it was in talks with a potential "white knight" after a large tranche – nearly 3 per cent of its shares – changed hands at 256p, 2p higher than Raine's cash offer of 254p a share, which values the company at about £127m.

Ruberoid's shares rose 8p to 260p yesterday and Raine climbed 3p to 89p. The housebuilder's main cash-and-shares offer, which closes a week from today unless a competing bid emerges, values each Ruberoid share at 238p.

Meanwhile, Raine and its associates have increased their stake in Ruberoid to about 19 per cent.

Tarmac, one of Ruberoid's competitors in the bituminous roofing business, would neither confirm nor deny that it was the "white knight." Trafalgar House had also been mentioned as a potential counter-bidder, but the shipping, hotels and construction group said it had no such plans.

Mr John Roberts, Ruberoid's chief executive, said: "If you looked at our position in three European markets you would not have to be too imaginative to think that someone, somewhere in Europe, would be interested."

DIVIDENDS ANNOUNCED

Beattie (James) ....int	1.1	Nov 1	1	-	4
Booker ....int	6†	Jan 3	5.4	-	16
Bowater Inds ....int	7	Nov 4	5.25	-	12.5
Brammer ....int	4.5	Oct 20	4.5	-	12.5
Bodycote Int ....int	2.75	Dec 30	2	–	5
Campari Intl. ....int	2	Oct 17	1.5	-	6.5
Cannon St Invs ....int	3	-	2	-	6
Clayform Props ....int	3.1	Dec 14	2.8	-	8.5
Copymore § ....int	0.8	Nov 4	–	–	–
Cresta Holdings ....int	0.5⚹	Oct 31	-	-	0.75
CRH ....int	1.5♣	Oct 21	1.36	-	4
Eadie Hldgs § ....int	0.9†	-	0.75	-	1.5
European Home ....int	2.5†	-	2	-	5
Expamet Intl. ....int	3.4†	Nov 18	3	-	7.5
Freeman Group ....int	2.25	Oct 28	–	–	–
Hambro Country ....int	1.1	Oct 31	0.85	-	2.6
IMI ....int	3.15	Oct 17	2.75	-	7
Intl. Colour ....fin	0.8	-	-	0.8	-
Lopex ....int	2.4†	Oct 27	2	-	5
Lyon & Lyon ....int	1.8	–	1.5	–	4.8
Metal Closures ....int	2.35	Nov 1	2.2	-	7.4
Miller (Stanley)........int	0.75	Nov 5	0.5	-	1.25
M6 Cash & Carry§....int	1.17	-	1.06	-	3.8
MTM ....int	1.1	Oct 25	1	-	3
Peachey Property.....fin	nil	-	6.25	4.5	10.25
Pentos ....int	0.4	-	0.3	-	1.3
Provident Fin ....int	6 ‡	Nov 10	4.5	-	16
Ropner ....int	3	-	3	-	7
Sedgwick Group ....int	4†	-	4	-	12
Tozer Kemsley ....int	1	Oct 31	0.8	-	2.1
Wilson Connolly ....int	1	-	0.5*	-	2*
Wyevale Garden §....int	1.4	Oct 26	0.73	-	2.9

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market. ⚹Gross throughout. ♣Irish pence throughout. ‡ Partly to reduce disparity.

BOARD MEETINGS

TODAY

Interims- ABB Kent, ASW, Asset Trust, BAT Inds., BICC, Bestwood, Blue Circle, Bunzl, Costain, Halls Homes & Gardens, Hillsdown, Instem, Intl. Business Comms., Johnston Press, Legal & General, Nurdin & Peacock, Portals, Ryan Intl., Shorco, Sun Alliance & Lon. Ins., T&N, TR Nat. Resources Inv. Tst., Trade Indemnity, Western Motor, Wimpey (G).

Finals- Bremner, Contl. Microwave, Isotron, Orchid Technology, Ricardo Consulting Eng., Sinclair Goldsmith.

FUTURE DATES

Interims-	
Accord Publications	Sept.15
Cakebread Robey	Sept.21
Morgan Crucible	Sept.19
Norfolk Capital	Sept.12
Sale Tilney	Sept.15
Tootal	Oct. 3
Travis & Arnold	Sept.12
Young Group	Sept.21
Finals-	
AB Electronic	Sept.30
Minorco	Sept.20
Oceana Cons.	Sept. 9
Scottish Inv. Tst.	Sept. 9
Sirdar	Sept.14
Zambia Copper Invs.	Sept.20

IMI rises 21% to £48.5m despite exchange rates

By Richard Tomkins, Midlands Correspondent

IMI, Birmingham-based diversified industrial group, shrugged off volatility in metal prices and exchange rates to record a 21 per cent increase in pre-tax profits to £48.5m in the half year to June.

Turnover rose by a modest 3 per cent from £421m to £434m although Mr Gary Allen, managing director, said the rise would have been 4 per cent were it not for the effect of exchange rates.

A slightly increased tax charge left earnings per share up 19 per cent from 8.4p to 10p. An interim dividend of 3.15p (2.75p) is declared.

IMI made eight acquisitions and three disposals during the period with a consequent benefit to profits of £750,000, but this was outweighed by a £1m profits downturn caused by exchange rate fluctuations and by £250,000 lost through metal price volatility.

The largest contributions to the overall profits increase came from the drinks dispense division, which increased trading profits from £8.7m to £10.5m, and from fluid control, up from £14.2m to £16.7m. Both are in growth markets.

Mr Allen said the building products division, mainly UK-orientated, suffered a weak season because of the mild winter. Its turnover was static at £95m but the introduction of new products at higher margins helped raise its trading profits from £7.3m to £8.3m.

The refined and wrought metals division, a poor performer last year, benefited from a recovery in titanium prices and increased its contribution from £6m to £6.2m.

Special engineering saw strong growth from its air conditioning and computing activities and trading profits rose from £6.9m to £8.3m.

About 60 per cent of IMI's sales are overseas. Mr Allen said the group had full order books in most of its areas of operation, notably the US, West Germany and the UK.

IMI was continuing to cut its cost base through investment in plant and machinery, and capital spending was likely to be between £40m and £45m this year.

See Lex

Wilson (Connolly) over £23m

By Andrew Taylor, Construction Correspondent

PRE-TAX PROFITS of Wilson (Connolly) Holdings, Northamptonshire-based housebuilder, soared by 70 per cent to £23.4m in the six months to June 30. Sales rose by 23 per cent to £93.1m.

The results were better than expected and Wilcon's shares rose 10p to 170p. Housebuilding and contracting profits rose from £11.5m to £19.1m, of which housebuilding accounted for all but £200,000.

Property trading profits were up from £1.16m to £1.59m, but income from property rentals slipped slightly from £952,000 to £844,000. Profits also included a surplus from the sale of investment property of £1.8m.

Earnings per share at the half-way stage rose to 8.4p, prompting an increase in the interim dividend from 0.5p to 1p.

● COMMENT

Wilcon is in a strong position whichever direction the housing market takes during the next 12 months. Its five-year land bank, acquired at historically low prices, should provide a healthy cushion should the market turn down. The company's minimal gearing may also reassure investors worried about the impact of higher interest rates on housebuilders. Much of Wilcon's land is in East Anglia and the East and West Midlands, which are showing some of the highest house price rises in the country. A pre-tax profit of £52m on a 36 per cent tax charge would put Wilcon on a fully deserved premium rating of just over 9 times earnings.

Provident Financial rises 22% halfway

PROVIDENT FINANCIAL Group achieved a 22 per cent increase in pre-tax profits from £6.61m to £8.07m in the half year ended June 30.

The interim dividend is stepped to 6p (4.5p), partly to reduce disparity, payable from earnings of 10.55p (8.71p).

Turnover for the group, which provides consumer credit, retail services and insurance, showed a marginal rise to £180.45m (£177.3m).

The directors reported that in the weekly-collected credit companies, the improvement in debt collection had been sustained but the volume of new credit granted had not expanded. As a result they expected the first half to represent a larger than usual proportion of the year's profit.

They said the recent interest rate rises should have little effect this year due to use of interest rate swaps and the insurance subsidiaries' investments and cash balances.

● COMMENT

In the midst of the current boom, it might seem curious that Provident Financial saw no first half volume increase on its dominant credit side. But memories of problems from the 1985 surge in customers clearly die hard – and the alternative push for efficiency/quality is probably welcome. That said, it does little but reinforce the view that Provident Financial's core business is highly mature – the likes of the new shopping voucher notwithstanding. And while some of the broader financial service businesses fared quite well in the first half, Provident does not expect any substantial decline in the credit side's significance. Looking to the current half, interest rates are less of a problem than sometimes supposed, but news that the small Mentor Interactive Training subsidiary made an £800,000 loss did cause surprise. Apparently, software demands led to increased overheads and a full-year deficit of about £1.5m is being mooted by some analysts. With full-year forecasts shaved from more than £31m to under £30m, the shares are on a prospective multiple of about 8. The yield has some attraction, but basically there seems little to get excited about.

International Colour

International Colour Management raised pre-tax profits from £1.11m to £1.51m for the year to end-June – its first full set of figures since December's market placing.

Turnover was £15.81m (£12.5m). A final dividend of 0.8p is planned.

Campari 41% ahead

Campari International, sporting and camping goods distributor, lifted taxable profits 41 per cent to £739,000 in the six months to May 31. Turnover was £12.66m (£11.61m).

Earnings per 20p share rose to 6.5p (5.36p) and the interim dividend is lifted to 2p (1.5p).

M6 Cash & Carry

The recovery reported by M6 Cash & Carry, USM-quoted distributor, in last April's preliminary statement continued into the current year with pre-tax profits for the 28 weeks to July 9 at £477,000 (£207,000), on turnover of £39.88m (£34.4m). The interim is 1.17p (1.06p).

Eadie sharply up

Eadie Holdings, USM-quoted transport equipment and wire products group, boosted pre-tax profits from £210,000 to £401,000 in the six months to June 30 1988.

The interim dividend is 0.9p (0.75p) from earnings of 1.96p (1.61p).

Barker calls off bid discussions with WPP

By Nikki Tait

AFTER NEARLY six weeks of to-ing and fro-ing, public relations and advertising group Charles Barker has finally terminated its bid discussions with Mr Martin Sorrell's WPP Group. Barker shares greeted the news with a 21p fall to 187p.

Barker's statement, read to shareholders at an extraordinary meeting yesterday, said that "the company examined a number of alternative options for restructuring and concentrating the group but ultimately never received a formal offer which it was able to place before and recommend to its shareholders".

Immediately after the statement, shareholders approved – on a unanimous show of hands - proposals allowing US advertising agency, N W Ayer, to subscribe an initial £3m for a 25 per cent stake in Ayer Barker, Barker's consumer advertising subsidiary. For a further subscription, Ayer can raise its stake to 56 per cent in 1990, and gets a pre-emptive right to buy out Barker's interest in Ayer Barker on a fixed formula if control of the parent company changes.

Amendments to the Barker share option scheme, and authorisation for directors to implement these, were also approved - though this time with a few shareholders voting against.

After the meeting, Barker's chairman Mr David Norman claimed that the deal with WPP had looked quite possible until the latter half of last week. According to Mr Norman, it eventually foundered on the price offered, with "circumstances of the last few days, including their interim figures and the market's reaction" changing the picture.

This, however, is at odds with views emenating from the WPP camp, which indicate that the envisaged deal was primarily on a cash basis anyway. It has been widely suggested that WPP's interest centred on the public relations and regional ad agency and that a management buyout of Barker's executive search business, Norman Broadbent International, was being planned part of the overall package. The alternative interpretation suggests that it was the failure to complete this side of the deal which caused the problems.

Cresta surges to £1.5m midterm

Cresta Holdings, Isle of Man-based diversified group, lifted pre-tax profits from £352,000 to £1.53m in the six months to June 30 and is paying the forecast maiden interim dividend of 0.5p. Earnings worked through at 6.6p (2.2p).

Robinson Brothers

Robinson Brothers increased pre-tax profits from £361,000 to £1.19m in the half year to July 2. Turnover rose to £10.55m from £9.62m. Earnings per share were 69p (14p).

Southend Property

Southend Property Holdings had net borrowings of £80.2m at March 31 1988, after taking into account cash of £15.8m. This corrects the figure given in yesterday's report.

Three acquisitions and £42m rights from Cannon Street

By David Waller

CANNON STREET Investments, the unique stock market vehicle which is half industrial holding company and half investment house, is launching a £42.3m rights issue and buying three companies for an initial consideration of £21.05m in cash and £440,000 in shares.

Details of the 1-for-3 issue and the acquisitions came as CSI announced pre-tax profits 79 per cent higher at £7.2m for the six months to end-June. The new shares will be offered at 240p, against yesterday's closing price of 279p, down 21p.

Although CSI made no profits forecast, it said yesterday that it would pay a final dividend of not less than 5p a share making a total of 8p for the year, up from 6p in 1987.

Mr Bill Hislop, chairman, said that the rights issue would finance the latest acquisitions and leave net cash of £30m. This, together with undrawn bank facilities of a similar amount, would be used to fund further purchases.

CSI is buying Altai, an importer and distributor of electronic components, for an initial £12.7m; Westco, building components supplier, for £6.35m; and Hargreaves, a hotel and leisure complex in Lancashire for £2m. The acquisitions bring the 1988 total to 11 and the total number of CSI subsidiaries to 30.

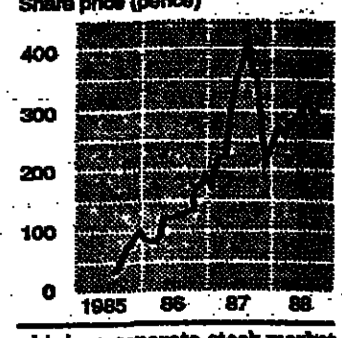
The maximum further consideration payable is £20.9m, payable only if profits over the earnout period exceed £22.5m. The ultimate exit price earnings multiple should work out at no more than CSI's traditional benchmark of 7.

According to Mr Hislop, Betacom – a telephone distributor which accounts for the bulk of profits in the electronics division – will be the first of the CSI subsidiaries to obtain a separate stock-market listing.

Fully diluted earnings per share for the first half rose from 7.12p to 8.59p; the interim dividend is raised to 3p (2p).

Cannon St. Investments

Share price (pence)



● COMMENT

As a victim of the secondary banking crisis, it is not surprising that Mr Hislop should have an aversion to borrowing money when interest rates are as high as they are now. Nevertheless, many investors may baulk at the heftiness of yesterday's £42.3m rights issue, especially when the prospect of a sweetener in the form of the Betacom flotation seems unlikely to take place this year: the new issue market may be upset by British Steel and CSI has yet to finalise details of the Betacom float with the Stock Exchange. But the discount is sufficient to ensure that the issue will get away, and – assuming pre-tax profits of £22m for the full year – the shares sit on an ex-rights multiple of 11.6. This reflects CSI's attractions as a federation of fast-growing, cash-generative companies which on their own would be too small to interest the institutional investor.

Metal Closures up 16% despite declining rand

By Philip Coggan

INTERIM PRE-TAX profits at Metal Closures, packaging group, rose by 16 per cent to £3.6m despite the adverse effect of the depreciating South African rand.

The rand's decline knocked back sterling profits in the half year to July 2 by £350,000. Metal Closures does not split its profits by area at the interim stage, but South Africa contributed just over 50 per cent of operating profits last year.

Metal Closures is involved in the manufacture of bottle tops and plastics packaging. UK operations improved their profits, despite difficulties caused by increases in raw material prices. In Italy, the group moved into profit.

Turnover amounted to £52.88m, compared with £48.6m in the same period last year. After tax of £1.59m (£1.44m) and minority interests of £230,000 (£201,000), earnings per share were higher at 7p (5.8p).

James Beattie up to £2.4m

James Beattie, department store operator, increased pre-tax profits from £2.04m to £2.35m in the six months to July 31 1988.

Directors said the buoyant trading conditions reported at the AGM in June had continued throughout the half-year. Sales increased 11 per cent to £25.03m from £22.6m.

Interest receivable rose to £366,000 (£343,000) while interest payable fell to £6,000 (£9,000). After tax of £822,000 (£715,000) earnings per share came out at 3.31p (2.89p). The interim dividend is increased from 1p to 1.1p.

The company said the first half had produced a most encouraging start to the year and, provided the recent increase in interest rates did not undermine consumer confidence, the board was looking forward to another year of good progress.

Wyevale advances to £1.06m

First-half expansion at Wyevale Garden Centres saw turnover rise 68 per cent, profit 76 per cent, and earnings nearly 69 per cent.

The interim dividend is almost doubled to 1.4p (0.73p).

Turnover was £7.61m (£4.54m), profit £1.06m (£601,000) and earnings 11.77p (6.97p).

A professional valuation of properties showed a surplus of £4m.

Pleasurama attacks Mecca's ability

By David Waller

PLEASURAMA, the group with interests including casinos and catering, which is facing a £700m share-only bid from Mecca Leisure, yesterday delivered a robust attack on its would-be predator, claiming that Mecca's management has no understanding of Pleasurama's businesses and no experience of running them.

"Mecca's management has no experience of running casinos, amusement machine hire businesses or coach holidays and only recently acquired their first hotels", Pleasurama stated in its long-awaited defence document, posted to its 14,000 shareholders by private messengers.

"These businesses are expected to represent about 75 per cent of Pleasurama's 1988 trading profit", the document continued. "It is reckless to suggest that Pleasurama's casino business requires limited management or to equate the operation of bingo halls to casino clubs."

It also contained a defence of Pleasurama's corporate strategy, and repeated the company's assertion that there was no commercial fit between Mecca and Pleasurama.

Mr Jeremy Long, Mecca's finance director, said that those arguments did not in any way alter Mecca's belief in either its management superiority or the commerical logic of the match.

●Pleasurama announced that its £127m rights issue has been taken up in respect of 91.5 per cent of the ordinary shares issued and 75.4 per cent of the new convertible preference shares.

Organic growth lifts Bodycote to £4.86m

By Vanessa Houlder

BODYCOTE International, metal technology, packaging and textiles group, yesterday announced a 31 per cent increase in pre-tax profits from £3.71m to £4.86m for the first six months of the year. Turnover increased from £29.5m to £32.5m.

Mr Joe Dwek, chairman and joint managing director, said that almost all the group's activities contributed to the growth in profits, which was purely organic.

The exception was the textiles and processing division which saw profits fall from £600,000 to £400,000, reflecting difficult market conditions.

The company has made a series of acquisitions which comprised Furnace Treatments, Firth Metal Processing, Farnworth Chromium Plating Company and Vetements Professionels France since the beginning of the year.

Mr Dwek said that these acquisitions enlarge the group's geographical network and increased the number of options available for further developments.

Mr Dwek added that Bodycote intended to continue an aggressive policy of acquiring complementary companies particularly in the EC.

Earnings per share increased from 9.6p to 12.6p. An interim dividend of 2.75p (2p) was declared.

● COMMENT

These results more than met City's expectations, although the share price was unchanged at 256p. Assuming it musters profits of £10.4m for the full year, that puts the company on a rather ungenerous multiple of 8. The indifference of the institutions to this stock is probably a result of the relative scarcity of the shares, for given the company's excellent record on earnings growth, it probably does not deserve such a lowly rating on fundamental grounds. Bodycote's star divisions, contract packaging and metal technology, should continue to perform well – in the absence of a major economic downturn – in the second half. In addition, there should be some contribution from a clutch of small and inexpensive, bolt-on acquisitions Bodycote has made since the beginning of the year.

UK COMPANY NEWS

Booker rises to £29m despite US drought

By David Waller

BOOKER, international food and agriculture group, managed to increase pre-tax profits by 12.7 per cent to £29.1m in the six months to the end of June, despite the drought in the US prairie-belt.

Mr Jonathon Taylor, chief executive, said the drought had forced up the cost of the food for the chickens and turkeys reared by Booker in the US.

Coupled with some over-capacity in the turkey market, margins had been squeezed and North American profits cut from £12.6m to £11.4m; the overall contribution from agribusiness fell by £800,000 to £19m.

The adverse effect of the drought was counteracted by a strong performance from Booker's food distribution businesses in the UK and from its health products division. Profits from food distribution surged from £500,000 to £2.3m, on turnover up by £43.2m to £443.7m; those from health products rose by 21 per cent to £3.5m, on sales of £53.1m.

Jonathon Taylor: North American margins squeezed

There was no contribution from Linfood, the cash and carry company bought for £90m in July.

Group turnover was £621.5m (£553.6m) on which operating profits were £32.5m (£26.7m). After interest of £3.4m (£900,000) and tax of £9.6m (£8.7m), earnings per share advanced to 14.2p. The interim dividend is 6p (5.4p).

● COMMENT

Yesterday's figures from Booker contained absolutely no surprises, as reflected in the 1p increase in the share price to 367p. At this level, the shares stand on a prospective multiple of approximately 10, assuming recovery in the US and pre-tax profits of £80m in the full year. Having missed out on the Rowntree-inspired flurry of bid speculation in the foods sector, the main attraction in the short term must be the 6.25 per cent prospective yield. Over two years, the company, and investors, should benefit from the integration of Linfood and the burgeoning of Booker's fish farming activities in the US and Scandinavian plant breeding activities.

Hambro Country up 33% at halfway

AN INCREASE of 33 per cent in pre-tax profits was reported by Hambro Countrywide, estate agency and financial services group, for the first half of 1988 and the directors said they expected the remaining months of the year to prove satisfactory.

Turnover in the period advanced 51 per cent to £63m (£41.77m) and the profit came to £14.27m (£10.72m). With earnings at 3.92p (3.18p) the interim dividend is lifted to 1.1p (0.85p).

On the prospects for 1989 and beyond, Mr Christopher Sporborg, chairman, said they depended on a variety of important factors, both the general development of the economy and housing market and the particular characteristics of the group.

In the half year the group completed sales of 38,408 homes with an aggregate sales value in excess of £2.53bn. Mortgages to the value of £559m were completed for 13,734 house purchasers.

Mr Sporborg said the decentralised residential agency business continued to open offices in profitable trading locations – 22 were opened in the latest period and the group currently operated from 502 offices.

The agency financial services side continued to expand and develop, and the sales force increased substantially to almost 400 consultants.

The agreement between Hambro and Guardian Royal Exchange, under which the company will own the capital of the newly created Hambro Guardian Assurance, should be completed tomorrow. With the injection of £40m capital the new company will be writing business from the beginning of October.

● COMMENT

Hambro acknowledges the present disquiet about the property market, but believes that any despondency is decidedlypremature: prices will continue to grow, if at a declining rate, through 1989 and beyond, it says. In any case, a downturn in the market would probably affect Hambro less than most: most of its outlets are outside the south-east and it concentrates on the broad middle market, which it reckons is relatively insulated from economic fluctuations. On the financial services front, it now sells two-fifths as many mortgages as it sells houses – a ratio that is steadily increasing. Looking ahead, Hambro plans to reduce its dependency on the housing market by building up the non-mortgage side of its financial division – a move that will be accelerated by the launch this autumn of its life assurance arm. Profits for the full year should reach £35m, putting the shares, down 3p to 75p, on a unexacting rating of 8.

Brammer rises 21% to £6.5m

By Philip Coggan

BRAMMER, distribution and equipment rental group, yesterday reported a 21 per cent increase in interim pre-tax profits from £5.36m to £6.48m.

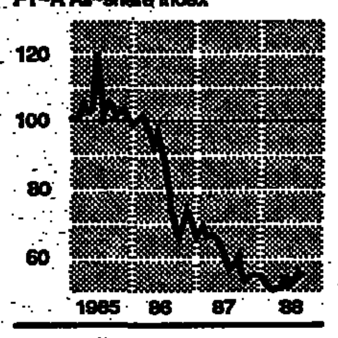
The group's profits fell in each of the last two full-year periods because of poor performances from the rental division and the adverse effect of a lower oil price on the Texas-based Master Pumps subsidiary.

However, both Master Pumps and the rental companies recovered this time and BSL, the core distribution company, had its best first half. In the precision engineering division, the service and distribution businesses were substantially ahead of last year.

Group turnover for the half year to end-June was 15.3 per cent higher at £56.5m (£49m).

Brammer

Share price relative to the FT-A All-share Index



Earnings per share were 9.7p (8.4p) and the interim dividend is being held at 4.5p.

● COMMENT

Shareholders in Brammer who turned down a 420p-per-share offer from Bunzl three years ago have had a long, and dispiriting, wait for good news, as the current share price of 244p indicates only too well. Brammer's problem is that it has had limited success in adding to its core business of bearings and transmission products distribution. These figures give hope that the tide has turned, although establishing the equipment rental business is taking longer than might have been expected. Few doubt, however, that the move into equipment rental is a sound move in the long term and in the meantime, shareholders who have been patient for this long can comfort themselves with a 6.8 per cent yield. Assuming pre-tax profits of £13.5m for the full year, the prospective p/e is about 12.

Clayform more than doubled to £7m midway

By Paul Cheeseright, Property Correspondent

Clayform Properties, the property investment and development group with a strong retail orientation, yesterday announced more than doubled first half profits and lifted its interim dividend.

In a flat stock market, the strength of the figures prompted a 4p rise in the share price to 237p.

Pre-tax profits for the six months to June 30 were £7m, compared with £3.47m. Earnings per share rose to 13.6p from 6.3p, reflecting in part the buying-in of the group's own equity when market prices were lower. The interim dividend is 3.1p (2.8p).

The half year figures did not include the costs of the abortive bid for Stead & Simpson, the footwear retailer. They came to about £500,000 and will appear as an extraordinary item in the year's accounts.

There was a strong increase in property development and trading profits. They rose to £5.06m from £2.23m in the 1987 first half, helped by the sale of a business space development in Oxford.

During the second half the pace of earnings was expected to keep up with, among others, contributions from an office development in London's West End, shopping centres in Ross-on-Wye and Huddersfield, and residential developments.

But earnings from retailing will remain at a modest level until the Schofield Centre redevelopment in Leeds had been completed and the department store, which Clayform owned, can move back in again from temporary premises.

Analysts are predicting full year pre-tax profits of £17m.

Mr David Hyman, the chairman, will retire on October 1 and be succeeded to the chair by Mr Bryan Burletson. Mr Hyam and Mr Burletson co-founded the group eight years ago.

Acquisitions boost EHP to £12.5m at six months

By Andrew Hill

THREE MAJOR acquisitions boosted profits at European Home Products to £12.5m before tax in the six months to June 30, against £2.35m.

Turnover more than doubled to £161m (£66.8m) and earnings per share climbed from 4.7p to 13.3p.

Last year, EHP, which distributes Singer sewing machines and electrical products in Europe, bought Werner, a German sock and tights importer and distributor, Ivarte, the Spanish consumer durables group, and Scholl International, the footwear products and retail chain.

The profit included a £1m property surplus.

The group has opened a specialist sock retailing unit in the Netherlands and may develop the project elsewhere. It has also signed an agreement with London International to distribute condoms, gripe water, tooth powder and soap in Australia.

An interim dividend of 2.5p (2p) was declared.

● COMMENT

EHP is proud that it has eliminated the seasonality of its business, principally through the acquisition of Scholl, balancing the second-half bias of the electrical goods side. The acquisition added a substantial chain of stores to existing retail outlets and gave the group access to pharmacists across Europe: EHP's sales staff now peddle more than just footcare products to clients. The group is also establishing Scholl shops-within-shops in the UK, through Boots. Analysts are forecasting more than £23m before tax in 1988, excluding property profits. This puts the shares, which rose 7p to 321p yesterday, on a prospective multiple of about 13, a premium to the rest of the sector. However, the shares look reasonable value given the European spread of the business, the prospects for growth – property sales in Frankfurt and London should boost profits next year – and the possibility of a bid from one of the large healthcare or electricals groups.

Normans purchase

Normans Group, retailer and plantation company, is to pay £3.18m for the business and freehold property of A.H. Hayes, whose main business is a Leamington Spa furnishing store. Hayes' premises will allow expansion of a nearby Woodward's department store already owned by Normans.

Expamet forges ahead 23%

By Philip Coggan

EXPAMET INTERNATIONAL, building products and security group, yesterday announced a 23 per cent increase in interim pre-tax profits to £4.43m, after restating last year's profits as £3.6m to reflect the merger with Cash & Security Equipment.

The company also benefited from the acquisitions of CQR Security Systems and Brema Air and from a profits turnround at Videoscan and Maximal, two of its security companies. Earnings per share rose 19 per cent to 7.81p (6.56p) and the interim dividend is being increased by 13 per cent to 3.4p (3p).

The building products division benefited from the buoyancy of the sector and from the mild winter. The industrial companies, which largely supply hydraulic accumulators, were ahead despite the impact of a fire at Olaer's Paris factory and the consolidation on the same site of the Fawcett and Christie companies. Expamet continues to have high hopes for the use of hydraulic accumulators in Anti-Lock Braking Systems.

Turnover for the group, in the six months to June 30, increased 11 per cent to £58.2m (£52.5m).

● COMMENT

Expamet's policy of diversification is starting to pay off. After years in which first the building products and then the security side had disappointments, all three divisions are forging ahead this year. In the short term, building products is likely to be the best performer; in the long term, main hopes for growth rest on hydraulic accumulators, where the company appears to have built up a strong market position. Although nominally in the building products sector, Expamet is more of a mini-conglomerate, not the most popular of corporate groupings at the moment. That means that the prospective p/e of just under 10, assuming pre-tax profits of £10.5m this year, looks high enough.

Downturn holds Ropner static in first half

By Fiona Thompson

A DOWNTURN in three of its five divisions has resulted in Ropner, the mini conglomerate, reporting flat pre-tax profits of £2.57m for the six months to June 30 1988, compared with £2.54m last time.

Engineering division profits fell from £572,000 to £65,000, primarily due to a loss of £378,000 attributable to Airtech, its defence communications company, which was subsequently sold. The sale of Airtech required an extraordinary write-off of £1.93m in these results.

The garden products side saw profits slip from £1.87m to £1.72m, hit by the wet weather and raw materials prices.

The insurance broking arm lost £116,000, compared with a profit of £197,000 last time. Much of its business is marine liability and the division was affected by poor market conditions and dollar weakness.

Shipping profits were flat, £585,000 against £579,000. The company has a fleet of five vessels, all dry bulk carriers. Four are on fixed-rate long term charter, and one, Salmonpool, operates on the spot market.

The property division profits increased from £303,000 to £916,000, following the sale of five properties.

Tax took £1.01m (£1.06m). Earnings per share rose from 5.4p to 5.8p and an unchanged interim dividend of 3p was declared.

● COMMENT

These results were slightly disappointing and the shares closed 2p down at 130p. Although the engineering division's downturn was expected, analysts had been looking for a better result from garden products, the 20 per cent rise in plastics costs coming as a bit of a surprise. Ropner hopes to pass on some of this increase in the second half. The insurance result was actually an improvement on last year, as that included a £300,000 profit on the sale of its US broking business. The weakness of the dollar has not helped here, nor in the shipping division, which is all dollar earnings. On the plus side, Salmonpool is getting much better freight rates than last year. Analysts have downgraded the full year profits forecast to £4.5m, putting the shares on a prospective p/e of 12.5, but it is the steady yield which attracts.

Activity levels are good and margins continue to rise

Enlarged Bowater surges to £31m

By Maggie Urry

BOWATER INDUSTRIES, where new management came in during the first half of 1987, reported a 76.3 per cent rise in pre-tax profits to £30.5m for the six months of 1988. The shares rose 4p to 419p.

Mr Norman Ireland, chairman of the packaging, building and industrial products group, said "activity levels are good and, with improving margins, outlook for 1988 is encouraging."

The company was encouraged by a 44 per cent take up by UK staff of a new employee share option scheme, which Mr Ireland said "indicated their involvement in the long term future of the company."

Mr David Lyon, chief executive, said that a large part of the profit increase came from acquisitions, notably of Rexham Corporation which was bought last November. That added £75m to sales, which rose 25.3 per cent to £689m. Trading profits rose 76.6 per cent to £36.9m, and Mr Lyon said the underlying growth, excluding acquisitions, was 33 per cent.

Group trading profit margins rose from 3.8 to 5.4 per cent, but Mr Lyon said there was still plenty of scope to increase them further.

Rexham's inclusion in the packaging and industrial profits division helped trading profits there rise by 92.5 per cent to £20.4m, with margins up from 5.7 to 6.9 per cent. There was good growth from many of the other businesses in the division, including a recovery from losses to profits in Camvac's US operation.

Trading profits in the merchanting and services area doubled to £13.3m, with margins rising from 2 to 3.8 per cent. Many of the activities enjoyed strong market conditions, such as Bowater's builders merchants and its window business, while the concentration of the freight forwarding operation improved its margins.

There was a fall in trading profits – from £3.7m to £3.2m – in the tissue and timber products division. Price competition in the Australian tissue market, as a rival prepares to open new capacity, hit profits despite a good performance from the timber side.

Earnings per share rose from 11.6p to 17.9p, and Mr Lyon said the Rexham acquisition had had a positive effect. The interim dividend is up by a third to 7p, although this rise is partly intended as a move towards evening up the two payments. See Lex

Psion above £1m halfway

All areas bar the US subsidiary made strong advances in the first half at Psion, the micro-electronics company which joined the USM in March.

Pre-tax profits rose by 57 per cent in the period ending June 30 from £657,000 to £1.03m. Turnover advanced 68 per cent from £4.79m to £8.06m. Earnings per 5p share were 3.74p, against 2.27p.

Mr David Potter, chairman and managing director, said additional output of Organiser II handheld computers would come through in the third quarter to meet increased demand. Psion also launched yesterday the Psion Printer II, for the Organiser II range. In the US, the high level of marketing expenditure expanded the distribution base and sales but resulted in a modest loss.

Pentos up to £2.4m midterm

By Andrew Hill

PENTOS, the retailing group which includes Dillons, Athena and Ryman, increased interim pre-tax profits by 71 per cent to £2.4m in the six months to June 30, against £1.4m in the equivalent period.

Turnover advanced from £33.7m to £51.1m and earnings per share rose 34 per cent to 1.96p (1.46p).

Mr Terry Maher, chairman, said 35 new sites had been acquired for opening this year and Pentos expected to increase net retail space by 100,000 sq ft during 1988, making a total of 450,000 sq ft.

Ryman, the stationery chain bought in August 1987, contributed £400,000 to pre-tax profits and Pentos said it should contribute £1.8m in the full-year.

Excluding Ryman and English & Overseas Properties, floated off in July, group trading profits grew 37 per cent on sales increased by 33 per cent.

Mr Maher said the new shop design for the Ryman chain had been introduced at the Victoria Street branch in London and would be tested in two further stores before the rest of the chain was refitted.

Pentos declared an interim dividend of 0.4p, against 0.3p last time.

● **COMMENT**

Mr Maher – one of the first disciples of retail design – is experiencing some teething problems with the Ryman refit, but still thinks the redesigned stationery chain could match growth rates at Dillons and Athena. The hurried installation of electronic point of sales equipment at Dillons in Oxford also created early problems, but the branch is now geared up for the new academic year, according to Pentos, and an older and wiser retail team is applying what it has learnt for the launch of an even larger store in Cambridge at the end of the month. Analysts are confidently forecasting up to £11m before tax in the full year, putting the shares, which rose 2p to 110p yesterday, on a prospective p/e of about 13. This is a premium to the market and the retail sector, currently depressed by worries about consumer spending, but the shares are worth holding.

NSM pays £82.5m for Bison

By Clay Harris

NSM, Britain's largest private coal miner and formerly known as Burnett & Hallamshire (B&H), is to pay £82.5m for Bison Holdings, supplier of pre-stressed concrete flooring.

The acquisition is the first under NSM's new management, which said the purchase would introduce an established, highly profitable and cash generative business into the group.

After four consecutive years of heavy pre-tax losses, including one of £125.7m in 1984-85, B&H was rescued earlier this year by Anglo United, which injected its own coal interests as part of a refinancing package.

NSM also forecast that it would pay a 3p dividend for the year to March 1989; this would be its first cash payment to shareholders since January 1985.

Bison, which reported profits of £8.5m in 1987, was bought by its managers from Banque Audi Suisse of Geneva for £10m in 1985.

The acquisition is to be partially financed through the issue of 25m ordinary and 33.37m convertible preference shares, of which Bison's vendors will retain £30.5m worth.

There is a £25m open offer to existing NSM shareholders, on the basis of four ordinary shares at 85p and five preference shares at 100p, in each case for every 50 shares already held.

Anglo United will subscribe for 4m preference shares. Its stake in NSM will fall from 31.27 per cent to 24.2 per cent, fully diluted.

Good UK performance helps CRH rise 34% in first half

By Andrew Taylor, Construction Correspondent

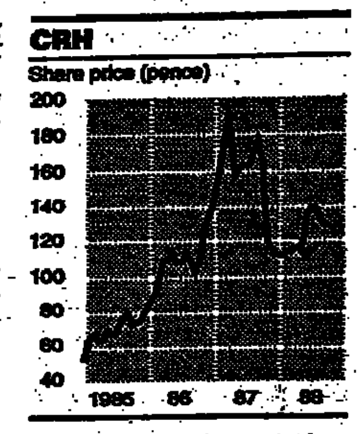
CRH, international building materials group and one of Ireland's largest companies, increased pre-tax profits by 34 per cent to I£19.5m (£16.7m) in the six months to June 30.

Sales at the company, formerly Cement Roadstone, increased by 23 per cent to £400.1m. More than 80 per cent of group profits is generated outside Ireland, compared with less than 10 per cent 12 years ago.

The US, which last year contributed 36 per cent of total trading profits, achieved a slight increase in the first half, helped by a small first-time contribution from the Pike Industries joint venture.

Teething problems at Catalan Concrete, acquired in Spain last October were caused by a shortage of fly-ash – a residue produced at coal-fired power stations used to reduce the cement content and improve the performance of concrete. This held back profits growth at the Spanish subsidiary. CRH said the problems were being resolved and should not recur.

The UK, which last year accounted for 23 per cent of trading profits, continued to perform well despite lower profits in Northern Ireland. Profits in the Irish Republic also dipped slightly, although exports of cement to Britain doubled to 238,000 tonnes.



Mr Tony Barry, chief executive, said cashflow remained strong despite spending £28m on acquisitions in the US, the UK, Ireland and the Netherlands. Net gearing was expected to be reduced by the year end, barring further acquisitions.

Earnings per share increased from 4.48p to 5.24p, allowing a 10.3 per cent rise in the interim dividend to 1.5p.

● **COMMENT**

The principal engines for earnings growth have been the UK and mainland Europe. Although construction was held back in some US states by poor weather, an unseasonally good winter helped swell Europe's contribution to group profits. The Dutch-based builders' merchants did particularly well. Spain, despite its fly-ash supply problems, produced a modest profit and could be approaching about 10 per cent of group earnings by the year-end. The construction recession in Ireland appears to have bottomed out, but sales of black-top for roadbuilding remain badly affected by a government spending squeeze. The star UK performer was the builders' merchants operations in southern England. The second half of the year, when the US traditionally performs better, normally produces about two thirds of annual group profits. Pre-tax profits of £60m, with a 22 per cent tax charge, would put the group on a prospective p/e of 9.5 – fairly high for the sector.

Strong car market helps TKM

By Fiona Thompson

THE VERY strong retail car market helped Tozer Kemsley & Millbourn (Holdings), motor distributer and retailer, increase interim pre-tax profits by 47 per cent to £17.85m. However, the advance from £12.18m included an exceptional profit of £1.96m from the sale of share holdings.

Turnover for TKM, part of Sir Ron Brierley's BIL group, rose to £475.2m for the six months to June 30 compared with £437.2m in the 1987 period.

The tax charge was £6.08m, against £4.99m last time. Earnings per share rose from 3.3p to 5.4p and an interim dividend of 1p (0.8p) was declared.

Mr Reg Heath, chief executive, said 1988 had been a record year for registrations and TKM had been getting its share of the new car market. Used car sales were very strong with values holding up well, and specialist car demand exceeded supply.

Maranello Holdings, which has the UK Ferrari import concession, acquired earlier this year, made a contribution.

● **COMMENT**

TKM's retail and import activities have been going well and, following the phenomenal demand for new cars, these are expectionally good figures. This is in spite of niggling problems like an uncompetitive Kenning Tyre division and the yen/French franc exchange rate effecting imports of Mazda to France. There are two slight worries for the sector as a whole – a general downturn in demand is expected next year and Ford's announcement this week that it is ending its cheap car purchase finance schemes is bound to be followed by the others, dampening demand. But the City is looking for about £41m for the full year, giving a prospective p/e of 7, low relative to the sector.

Peachey concedes bid defeat

by Nikki Tait

PEACHEY PROPERTY has conceded defeat in its £282m bid battle with Wereldhave, Dutch property group, and is recommending acceptance of the 650p-a-share offer

Yesterday, Wereldhave declared the bid unconditional, claiming control of 50.86 per cent of the equity.

In a letter to shareholders, Sir Charles Ball, Peachey chairman, said that the board recognised that control of the majority of the shares has now passed to Wereldhave and "in view of the current uncertainties in the stockmarket" believed it is in shareholders' interests to accept.

Wereldhave raised its bid last Wednesday and, following a market raid, claimed to control over 50 per cent of Peachey's shares.

A few hours after the two announcements, Peachey released its full year figures to June 24 - wholly in line with the profits forecast made in the course of the bid. The company made £14.4m before tax, compared with £11.65m in the previous 12 months, with net rents received up from £12.9m to £16.2m.

The profit on trading properties is £6.54m against £4.78m, and earnings per share - after tax of £5.06m (£3.66m) - run out at 23.4p, compared with an adjusted 22.3p.

London and Bishopsgate lifts stake in New Tokyo

By Nikki Tait

LONDON AND Bishopsgate Holdings, the private investment management company owned predominantly by publisher Mr Robert Maxwell and Lord Donoughue, has raised its stake in New Tokyo Investment Trust by 1.3m shares to 11.05m or 25.11 per cent.

London and Bishopsgate, which specialises in global asset allocation and the use of index funds, first acquired a 15 per cent stake in the trust from the Kuwait Investment Office in late-July.

New Tokyo is a £70m fund managed by Edinburgh Fund Managers – which earlier this year saw the unitisation of its Crescent Japan trust – and there has been speculation that London and Bishopsgate might wish to use its portfolio as the base for an index fund.

Yesterday, New Tokyo declined to comment on the latest stake increase. However, with over 25 per cent of the shares, London and Bishopsgate is now in a position to block any special resolution requiring 75 per cent approval – the type of situation which has cropped up at a number of investment trusts recently, when trusts have devised their own pre-emptive reorganisation schemes.

Lopex in European deal

LOPEX, advertising and communications group, is returning to the acquisition trail through the purchase of a 40 per cent stake in Gultig & Hoffmeister, Frankfurt-based advertising agency.

The move marks Lopex's seventh expansion move this year and follows hard on the heels of last month's acquisition of RCF Marketing Group.

Mr John Castle, chairman, said: "We have been searching for some time for a West German agency to join our Alliance International European network." Gultig would enable Lopex to "offer a range of communications services to the very highest standard in 11 countries in Europe" he added.

Lopex is paying DM 1.4m (£449,000) for Gultig, of which DM 1.12m is payable in cash with the balance satisfied by the issue of 38,774 Lopex shares. A final payment of DM 0.2m is due in March 1990.

In 1987, Gultig had gross billings of DM 29.7m and achieved pre-tax profits of DM 439,000. Net tangible assets amounted to DM 283,000.

Meanwhile, Lopex also announced record pre-tax profits of £2.75m (£2.03m) for the six months to end-June on turnover eight per cent ahead at £73.21m.

After tax of £1.09m (£832,000), and minorities of £233,000 (£199,000), earnings per 5p share worked through at 9.26p (7.32p). The interim dividend is lifted to 2.4p (2p).

Stanley Miller profit

Building contractor Stanley Miller Holdings, which fell £421,000 into the red in the first half of 1987, reported profits of £315,000 pre-tax for the opening six months of 1988. Turnover rose by £5.3m to £19.33m.

The directors were confident of an improved performance for the rest of the year and in future years. The interim dividend is 0.75p (0.5p). Earnings were 5p (losses 7p) per share.

Lyon & Lyon advances 31%

Lyon & Lyon, West Yorkshire-based motor dealer in which Mr Tony Bramall has built up a stake of almost 20 per cent, reported pre-tax profits for the first half of 1988 of £381,000, up 31 per cent on the comparable £291,000. Turnover improved from £8.09m to £9.52m.

Earnings per share were stated as 7.75p (5.86p) and an interim dividend of 1.8p (1.5p) has been declared.

Directors said that the automotive businesses performed well and results from contract hire and property letting were also good.

MTM jumps 67% at midway

MTM, speciality chemical manufacturer, saw its profit rise 67 per cent, from £1.8m to £3m, in the first half of 1988. Total turnover was reported at £38.1m, against £19.2m last time.

Mr Richard Lines, chairman, said organic growth was substantial and made a major contribution. Prospects for the second half were most encouraging, he added.

"We increasingly see our activities centring on five strategic business sectors - pharmaceutical intermediates; agrochemicals; surface effect chemicals; services; and industrial chemicals. The last of these is likely to contain the embryos of new business sectors in the future", the chairman stated.

The chairman said Norsochem, the joint venture with Norsolor, was settling down well, and significant economies had been achieved by rationalising production and distribution.

Earnings in the half year came to 6.5p (3.8p) and the interim dividend is 1.1p (1p).

● **COMMENT**

MTM's standing in the City faltered a year ago when it produced disappointing interims and was not helped by confusion over its treatment of consultancy fees at the full year stage. But these latest results were well up to expectations and have focused analysts' attention on MTM's apparently buoyant growth prospects. MTM's spread of specialist niche markets should help insulate it from an economic downturn, while its newly-acquired business in South Carolina could be the basis of at least a ten-fold increase in its US sales. In the shorter term, the joint venture with Norsolor should produce more gains from rationalising production and distribution. Profits for the full year are expected to reach £6.5m, which put the shares, up 1p to 149p, on an appropriate rating of 10.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Pound up on dollar weakness

STERLING IMPROVED in currency markets yesterday, feeding on concern that UK interest rates may be increased. While cash rates were lower yesterday, there was a growing expectation among overseas investors, that UK economic data was still likely to point towards fast growth and higher inflation.

Despite official calls for patience - to allow the rise in base rates started earlier this year to have an effect - short term investors sensed that the authorities may have little choice but to increase rates, should the pound lose its new found confidence.

Sterling was also underpinned by the dollar's weaker tone after the long US weekend. This encouraged investors to use the pound as a short-term, high yielding parking lot, at least for the time being.

The pound's exchange rate index ended at 75.9, up from 75.7 at the opening and 75.5 on Monday. Against the dollar, it rose to $1.7035 from $1.6860, and DM3.1375 against the D-Mark, compared with DM3.1275. It was also higher against the yen at Y230.50 from Y229.25. Elsewhere it finished at SFr2.6475 from SFr2.6335 and FFr10.6900 compared with FFr10.6475.

The dollar opened on a weaker note in New York, following a gentle downturn in Europe. Traders were deterred from trying to establish a firmer dollar trend, as they returned to their desks after the three-day break.

Sentiment was influenced by a report released from the National Association of Purchasing Managers in the US. This showed a fall in economic activity in August, and, following close on the heels of disappointing August employment data, left most traders with the impression that pressure for higher US interest rates has eased.

The dollar fell to DM1.8420 from DM1.8550 and Y135.30 compared with Y136.00. Elsewhere it finished at SFr1.5535 from SFr1.5620 and FFr6.2750 compared with FFr6.3150. On Bank of England figures, the dollar's exchange rate index fell from 99.5 to 99.1.

In Europe, the D-Mark was still trading close to a record high against the Italian lira. The latter was depressed by the lack of progress on initiating Government spending cuts.

In Milan, the D-Mark was fixed at L746.05 compared with a record fixing level of L746.10, touched in May.

The French franc was also under pressure against the D-Mark. The latter rose to a four-month high at the Paris fixing, where it was quoted at FFr3.4026, up from FFr3.3992 on Monday. There was no intervention by the Bank of France at the fixing or in open trading.

Despite recent pressure on the French franc and the Italian lira, most dealers see little chance of an early realignment within the EMS. The D-Mark has been in the doldrums for so long, that it would require a much more sustained appreciation, before the weaker currencies approach their divergence limits.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Sept.6	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.4773	+2.40	+1.02	±1.5344
Danish Krone	7.85212	7.96649	+1.46	+0.08	±1.5404
German D-Mark	2.05853	2.07210	+0.66	-0.72	±1.0981
French Franc	6.90403	7.05009	+2.12	+0.74	±1.3674
Dutch Guilder	2.31943	2.34011	+0.89	-0.49	±1.5012
Irish Punt	0.768411	0.773666	+0.68	-0.70	±1.6684
Italian Lira	1483.58	1545.77	+4.19	+3.36	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Sept.6	Latest	Previous Close
£ Spot	1.7045-1.7050	1.6850-1.6855
1 month	0.51-0.50pm	0.52-0.51pm
3 months	1.47-1.45pm	1.59-1.57pm
12 months	4.60-4.55pm	4.70-4.66pm

Forward premiums and discounts apply to the US dollar.

POUND SPOT- FORWARD AGAINST THE POUND

Sept.6	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6885-1.7050	1.7030-1.7040	0.53-0.50cpm	3.63	1.50-1.45pm	3.46
Canada	2.0905-2.1050	2.1015-2.1025	0.44-0.32cpm	2.17	1.01-0.82pm	1.74
Netherlands	3.53¼-3.56¾	3.53¾-3.54¾	2¼-1⅞cpm	6.77	5¾-5½pm	6.42
Belgium	65.75-66.15	65.80-65.90	29-26cpm	5.01	77-71pm	4.50
Denmark	12.06-12.11	12.09-12.10	4-3⅞orepm	3.66	10⅞-10pm	3.45
Ireland	1.1695-1.1765	1.1720-1.1730	0.44-0.39cpm	4.25	1.27-1.17pm	4.16
W. Germany	3.13½-3.15	3.13½-3.14	2-1⅞pfpm	7.41	5¾-5¼pm	6.77
Portugal	258.50-260.70	259.60-260.60	5-41cdis	-3.57	32-121dis	-1.18
Spain	208.50-209.55	209.10-209.40	29-18cpm	1.35	65-54pm	1.14
Italy	2343-2349½	2345½-2346½	1pm-1lire dis	-	5-2pm	0.60
Norway	11.63¾-11.67½	11.66-11.67	1-1⅞ore dis	-1.22	3¾-4¼dis	-1.39
France	10.68¾-10.72	10.68½-10.69½	3¾-3½cpm	4.07	10⅜-9⅞pm	3.76
Sweden	10.89-10.92¼	10.91-10.92	1⅜-1orepm	1.31	4¼-3⅝pm	1.44
Japan	229¾-231	230-231	1½-1⅜ypm	7.48	4-3⅞pm	6.83
Austria	22.10-22.16	22.13-22.16	13⅞-12⅞gropm	7.25	36⅝-34⅛pm	6.39
Switzerland	2.64¼-2.65¼	2.64¾-2.65¼	1⅝-1½cpm	7.08	5⅝-5¼pm	8.31

Belgian rate is convertible francs. Financial franc 66.90-67.00. Six-month forward dollar 2.72-2.67cpm 12 months 4.70-4.60cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Sept.6	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6885-1.7050	1.7030-1.7040	0.53-0.50cpm	3.63	1.50-1.45pm	3.46
Ireland†	1.4430-1.4540	1.4540-1.4550	0.16-0.21cdis	-1.53	0.42-0.52dis	-1.30
Canada	1.2325-1.2355	1.2335-1.2345	0.13-0.17cdis	-1.46	0.50-0.57dis	-1.73
Netherlands	2.0780-2.0950	2.0795-2.0805	0.56-0.54cpm	3.16	1.54-1.50pm	2.91
Belgium	38.60-38.90	38.60-38.70	5.00-3.00cpm	1.24	12.00-8.00pm	1.03
Denmark	7.08¾-7.13	7.09¾-7.10¼	0.30d-0.10orepm	-0.17	0.45dis-par	-0.06
W. Germany	1.8395-1.8550	1.8415-1.8425	0.58-0.55pfpm	3.67	1.58-1.53pm	3.37
Portugal	152½-153	152½-152¾	50-70cdis	-4.73	155-205dis	-4.73
Spain	122.50-123.25	122.75-122.85	18-28cdis	-2.25	50-60dis	-1.79
Italy	1374-1383¾	1376¾-1377¾	3.50-4.50lire dis	-3.48	8.80-10.80dis	-2.86
Norway	6.83¾-6.88¼	6.84½-6.85	2.60-2.95ore dis	-4.86	8.25-8.65dis	-4.93
France	6.27-6.31	6.27¼-6.27¾	0.30-0.20cpm	0.48	0.70-0.40pm	0.35
Sweden	6.39¾-6.43½	6.40½-6.41	1.10-1.35ore dis	-2.29	3.05-3.45dis	-2.03
Japan	135.10-135.75	135.25-135.35	0.43-0.40ypm	3.68	1.19-1.16pm	3.47
Austria	12.96½-13.04¼	12.96½-12.97	3.80-3.40gropm	3.32	9.75-8.75pm	2.85
Switzerland	1.5515-1.5620	1.5530-1.5540	0.70-0.67cpm	5.28	1.90-1.85pm	4.82

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 39.25-39.35.

STERLING INDEX

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CURRENCY RATES

[illegible]

CURRENCY MOVEMENTS

[illegible]

EURO-CURRENCY INTEREST RATES

Sept.6	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	10¼-10	10⅛-10⅛	11¾-11⅞	12¼-12⅛	12⅜-12¼	12½-12
US Dollar	8⅛-7⅞	8⅛-7⅞	8⅜-8¼	8⅞-8¾	8⅞-8⅝	9⅞-9¾
Can. Dollar	9¼-9	9¼-9⅛	9⅞-9¾	10¼-10	10⅝-10½	10⅞-10⅞
D. Guilder	5¼-5	5¼-5	5⅞-5⅞	5⅞-5⅞	5⅞-5⅞	5⅞-5⅞
Sw. Franc	3¼-2¾	3¼-3	3⅝-3¼	3⅞-3⅞	3⅞-3⅞	3⅞-3⅞
Deutschmark	4¼-4⅛	4¼-4⅛	4⅞-4¾	4⅞-4⅞	5⅞-5⅞	5⅞-5⅞
Fr. Franc	7⅞-7½	7⅞-7⅞	7⅞-7⅞	8⅛-8	8⅜-8⅛	8⅞-8⅞
Italian Lira	12-10	12⅛-11⅞	12-11½	11⅞-11⅞	11⅞-11½	12-11⅞
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER CURRENCIES

[illegible]

*Selling rate

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Profit taking trims gains

STERLING INTEREST rate contracts fell back from a firm start on Liffe. Profit taking pulled prices down to close near the day's lows, but firmer on the day.

Sentiment was encouraged by a rise in the value of sterling to trading levels above $1.70 and DM3.14. This led to an easing of cash rates on the money market, and a rise in December short sterling on Liffe to a peak of 88.18, from an opening level of 88.00. It fell back to close at 88.04, compared with 87.91 on Monday.

December Long gilt futures showed a similar performance, rising to 94-12, but falling back to close at 93-29, against 93-26 previously.

US Treasury bond futures also weakened towards the close in London, as a rally in Chicago petered out. The market failed to hang on to its gains, on lack of fresh economic data and the absence of news to support last Friday's weaker than expected US employment data for August.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
88	562	636	4	10
90	406	451	12	25
92	227	312	33	50
94	110	160	116	134
96	30	102	236	240
98	10	35	416	409
100	5	17	611	555

Estimated volume total, Calls 1849 Puts 1325
Previous day's open int. Calls 12719 Puts 23617

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
82	600	604	24	60
84	421	441	45	133
86	255	328	115	220
88	144	229	204	321
90	60	144	320	436
92	32	108	456	600
94	19	—	643	—

Estimated volume total, Calls 841 Puts 70
Previous day's open int. Calls 5083 Puts 2408

LIFFE FT-SE INDEX FUTURES OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Oct	Puts-settlements Sep	Puts-settlements Oct
16500	1145	1396	5	31
17000	681	961	41	96
17500	315	597	175	232
18000	103	330	463	465
18500	23	159	883	794
19000	3	67	1363	1202
19500	0	24	1860	1659

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 3 Puts 137

LIFFE £/$ OPTIONS

[illegible]

LIFFE EURODOLLAR OPTIONS

[illegible]

LIFFE SHORT STERLING

[illegible]

PHILADELPHIA SE £/$ OPTIONS

[illegible]

LONDON SE £/$ OPTIONS

[illegible]

LONDON (LIFFE)

[illegible]

CHICAGO

[illegible]

EUROPEAN OPTIONS EXCHANGE

[illegible]

Series		Vol	Last	Vol	Last	Vol	Last	Stock
KNP P	Fl. 170	24	6.50	11	9	-	-	Fl. 167.70
NEDLLOYD C	Fl 230	67	6.50	-	-	-	-	Fl 224
NEDLLOYD P	Fl 230	35	12 A	-	-	-	-	Fl 224
NAT.NED C	Fl 60	243	4.20	-	-	-	-	Fl 63
NAT NED. P	Fl 60	6	1	23	2.30	-	-	Fl. 63
PHILIPS C	Fl. 35	128	0.60	54	1.60	55	2.40	Fl. 32.10
PHILIPS P	Fl. 30	10	0.60	20	1.60	51	2.40	Fl 32.10
ROYAL DUTCH C	Fl. 240	263	1.20	166	4.50	5	7.50	Fl 225.20
ROYAL DUTCH P	Fl. 230	231	11	28	12.20	-	-	Fl 225.20
UNILEVER C	Fl. 110	334	4.30	97	7.70	3	10.30	Fl. 110.70
UNILEVER P	Fl 100	220	0.90	134	2.50	5	3.60	Fl 110.70

TOTAL VOLUME IN CONTRACTS : 22,340

A = Ask B = Bid C = Call P = Put

BASE LENDING RATES

	%		%		%
ABN Bank	12	City Merchants Bank	12	NatWestminster	12
Adam & Company	12	Clydesdale Bank	12	Northern Bank Ltd	12
AAB - Allied Arab Bk	12	Comm. Bk. N. East	12	Norwich Gen. Trust	12
Allied Irish Bank	12	Co-operative Bank	°12	PRIVATbanken Limited	12
● Henry Ansbacher	12	Coutts & Co	12	Provincial Bank PLC	13
ANZ Banking Group	12	Cyprus Popular Bk	12	R. Raphael & Sons	12
Associates Cap Corp	10	Dunbar Bank PLC	12	Roxburghe G'rantee	11½
Authority Bank	12	Duncan Lawrie	12	Royal Bk of Scotland	12
● B & C Merchant Bank	12	Equatorial Bank plc	12	Royal Trust Bank	12
Banco de Bilbao	12	Exeter Trust Ltd	12½	● Smith & Willmsn Secs.	12
Bank Hapoalim	12	Financial & Gen. Bank	12	Standard Chartered	12
Bank Leumi (UK)	12	First National Bank Plc	13	TSB	12
Bank Credit & Comm	12	● Robert Fleming & Co.	12	UDT Mortgage Exp	‡12.75
Bank of Cyprus	12	Robert Fraser & Ptnrs.	12½	United Bk of Kuwait	12
Bank of Ireland	12	Girobank	12	United Mizrahi Bank	12
Bank of India	12	● Guinness Mahon	12	Unity Trust Bank Plc	12
Bank of Scotland	12	HFC Bank plc	12	Western Trust	12
Banque Belge Ltd	12	● Hambros Bank	12	Westpac Bank Corp.	12
Barclays Bank	12	Heritable & Gen Inv Bk	12	Whiteaway Laidlaw	12½
Benchmark Bank PLC	12	● Hill Samuel	§12	Yorkshire Bank	12
Berliner Bank AG	12	C. Hoare & Co.	12		
Brit Bk of Mid East	12	Hongkong & Shangh	12		
● Brown Shipley	12	● Leopold Joseph & Sons	12		
Business Mtge Tst	12½	Lloyds Bank	12		
CL Bank Nederland	12	Meghraj Bank Ltd	12		
Central Capital	12	McDonnell Douglas Bk	12.5		
● Charterhouse Bank	12	Midland Bank	12		
Citibank NA	12	Mount Bnkg Corp.	12		
		Nat Bk. of Kuwait	12		

● Members of British Merchant Banking & Securities Houses Association. ° 7 day deposits 4.38% Savewise 7.16%. Top Tier-£10,000+ instant access 9.0% ‡ Mortgage base rate. § Demand deposit 7%. Mortgage 11.375% - 11.75%

MONEY MARKETS

London rates ease

THERE APPEARS to be little immediate danger of higher interest rates in London or Frankfurt, but the improvement of the D-Mark is leading to some nervousness within the European Monetary System.

The Dutch Central Bank raised the rate on special advances to the Amsterdam money market to 5.25 p.c. from 5.10 p.c. as a signal that the central bank wishes the guilder to maintain its current value against the D-Mark.

The West German Bundesbank council meets today, and is not expected to change its credit policy. The German central bank left its securities repurchase rate unchanged at 4.25 p.c. yesterday when setting a tender for a 35-day agreement. The fact that no variable rate pact was offered was seen as a sign that the authorities are determined to stabilise rates.

UK clearing bank base lending rate 12 per cent from August 25 & 26

An improvement by sterling led to an easing of interest rates in London. Three-month interbank fell to 12⅜-12¼ p.c. from 12⅝-12½ p.c. No major UK economic news is due this week, and there is no reason to believe there will be any shocks for the market.

Stronger performances by the D-Mark and sterling have been helped by a weakening of the dollar after recent figures have indicated there may be no need for the US Federal Reserve to tighten its monetary stance.

The dollar fell below DM1.85 yesterday, and this coupled with a slowing of West German monetary growth means the Bundesbank council can afford to wait before deciding whether further adjustments to monetary policy are required.

Credit conditions remained very comfortable in London. The Bank of England initially forecast a money market surplus of around £160m, but revised this to a flat position at noon.

The authorities did not operate in the market during the day.

Bills maturing in official hands, repayment of late assistance, and a take-up of Treasury bills drained £188m. This was offset by Exchequer transactions adding £175m to liquidity, a fall in the note circulation of £55m, and bank balances above target of £70m.

In Frankfurt the money market showed little reaction to the terms of the latest securities repurchase pact from the Bundesbank. Call money rose slightly to 4.75 p.c. from 4.70 p.c. in quiet trading.

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
American Income	6	42.92	43.39xd	46.15	-0.34	5.94
Gilts & Fixed Int	6	109.60	109.60xd	116.30	+0.30	8.60
High Inc Equity	6	113.40	113.40xd	121.30	+1.70	4.91
Worldwide Bond	6	191.80	191.80	203.30	-1.30	4.77
Capital Growth						
American Growth	6	148.80	151.0	160.6	+0.90	1.36
Asian Pacific	6	70.63	72.17	76.77	+1.05	1.38
Assets & Earnings	6	134.80	134.80	144.20	+1.50	1.36
Capital Reserve Acc	0	79.75	79.75	79.78	+0.13	3.76
Commdty & Energy	6	91.31	91.31xd	97.66	-0.70	1.19
European Capital	6	70.75	70.75	75.67	-0.54	0.99
General	6	153.60	156.70xd	166.60	+1.30	2.70
Japan	6	88.39	88.39	94.54	-0.81	0.00
Mastertrust	6	71.11	71.11	76.06	-0.07	2.48
UK Growth Acc	6	174.80	174.80	186.00	-7.60	1.58
UK Growth Dist	6	118.60	118.60	126.20	-5.10	2.33
US Emerging Cos	6	42.12	43.56	46.33	-0.30	0.00
Income & Growth	6	246.80	251.90	267.90	+1.80	3.55
Ethical Growth	6	42.33	43.28	46.04	+0.28	2.72

Abtrust Management Ltd (1000)H
10 Queens Terrace, Aberdeen AB9 1QJ 0224 633070
30 Finsbury Circus, London, EC2M 7QQ 01-374 6601
Dealing (Freephone) 0800 833580

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American	5¼	40.63	40.63	43.22	-0.23	2.09
Australian	5¼	23.34	23.49xd	24.99	-0.19	1.37
European	5¼	41.64	41.64	44.14	-0.10	-
Extra Income	5	36.93	36.93xd	39.20	+0.38	5.46
Fund Inv Tst	5	96.39	96.39	102.40	+0.77	1.00
Do Accum	5	146.00	146.00	155.20	+1.10	1.00
Gilt & Fixed Int	5¼	22.20	22.20xd	23.61	+0.02	10.11
Global Income	5¼	34.74	34.77	36.99	-0.02	5.22
Income & Growth	5¼	63.41	64.24	68.34	+0.46	4.39
Japan	5¼	158.60	158.60xd	168.70	-1.00	0.01
Nth Amer Inc (z)	5	26.00	26.00	27.60	-0.12	3.28
Special Situations	5¼	61.66	61.66	65.60	+0.46	1.34
UK Growth	5¼	32.69	32.69	34.70	-	-
World Gwth	5	38.49	38.49	40.85	-	1.17

Aegis Unit Tst Mngmt Ltd (1400)F
94 Whiteladies Rd, Bristol, BS8 1QX 0272 237593

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
CAMco Intl Recovery	5	45.25	46.77	49.24	+0.51	1.50
St Nicholas St Gth Inc	5	42.56	42.56	45.32	+0.12	5.00
St Nicholas St Gth Acc	5	43.27	43.27	46.08	+0.12	5.00
Blackstone Franks UK	5	43.55	44.39	47.23	+0.36	2.90
Blackstone Franks Int	5	44.47	45.47	48.38	-0.21	0.10

AEtna Unit Trusts Ltd (1600)F
AEtna House, 2-12 Pentonville Road, London, N1 9XG 0800 181766

Anderson Orme Unit Tst Mgrs Ltd (1200)F
62 London Wall, London, EC2R 7DD 01-638 1300

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Growth Tst	2	199.5	204.6	209.8	-9.7	2.22
High Income Tst ♥	5	36.24	36.57	38.91	-1.24	5.76
Intl Recovery Acc	5	38.77	39.95	42.94	-1.65	1.33
Intl Recovery Inc	5	28.28	29.13	31.32	-1.20	1.33

Anthony Wieler Unit Tst Mgmt Ltd (1000)F
19 Widegate St, London E1 7HP 01-377 1010

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Growth Income	5	100.7	103.3	109.9	.....	1.4
Do Accum	5	141.6	145.2	154.5	.....	1.4
Quarterly Income	5	49.7	52.1	55.4	.....	7.0

Arkwright Management (1400)F
1 King St, Manchester M60 3AH 061-832 0242

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Growth Sept 6	5	91.95	91.95	97.82	-0.07	2.41
Income Sept 6	5	45.53	46.30	49.26	-0.46	4.99

Asset Unit Trust Mngrs Ltd (0900)F
PF'n'ts Hse, Fenchurch St, London EC3 01-220 7231

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Growth Sept 2	5	97.98	97.98	104.10	.....	1.85
Income Sept 2	5	98.46	100.29xd	106.98	.....	5.57

Atlanta Unit Trust see Abtrust Mngt

Baillie Gifford & Co Ltd (1430)H
3 Glenfinlas St, Edinburgh 031-226 6066

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Japan Expt July 13	2	527.1	527.1	545.8	.....	-
UK Exempt Aug 1	5	[illegible]	376.0	400.0	.....	0.39
Mngd Expt Aug 1	5	98.33	99.46	105.8	.....	2.88
BG Japan	5	210.7	210.7	224.1	-2.3	-
BG America	5	115.4	115.4xd	122.7	-1.2	0.63
BG Technology	5	182.9	182.9	194.5	-0.7	-
BG Energy	5	206.3	206.3	219.4	-1	1.59
BG Income Gwth	5	238.0	242.1xd	257.5	-0.4	5.42
BG Europe	5	96.59	96.59	102.7	+0.3	1.78
BG Conv & Gen	5	62.75	64.39xd	68.49	-0.1	7.79
BG British Gwth	5	38.32	38.32	40.76	+0.34	0.71

Baltic see Abtrust

Bank of Ireland Fund Mgrs Ltd (1200)F
36 Queen St, London, EC4R 1BN 01-236 4210

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Brit & O'seas	5	125.5	130.9	138.6	+1.40	1.75
Income Plus	5	64.36	70.01	74.09	+1.28	3.27
Inv Trusts	5	69.46	76.18	80.62	+0.51	1.28
Capital Gwth	5	62.79	67.58	72.52	+1.14	3.28
W'wide Opps	5	66.42	68.38	72.36	+2.40	2.76

Barclays Unicorn Ltd (1000)H
Unicorn Hse, 252 Romford Rd, E7 01-534 5544

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Unicorn America	5¼	75.10	75.10	80.11	-0.52	2.09
Do Aust Acc	5¼	193.3	194.7	207.7	-1.0	1.55
Do Aust Inc	5¼	134.8	135.8	144.8	-0.7	1.55
Do Capital	5¼	76.09	76.09xd	81.16	+0.61	3.53
Do Euro Gwth Acc	5¼	62.97	63.37	67.59	-0.28	1.08
Do Euro Gwth Inc	5¼	61.50	61.89xd	66.02	-0.27	1.08
Do Exempt	5	57.27	57.57	61.41	+0.34	4.62
Do Extra Income	5¼	90.67	91.92	98.05	+0.64	5.06
Do Financial	5¼	63.73	65.01	69.34	+0.39	3.25

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
International Trusts						
Amer Spec Sits	5	62.97	62.97	67.06	-0.33	1.92
European Growth	5	17.72	17.72xd	18.87	-0.05	1.32
International	5	89.67	89.67xd	95.49	-0.51	1.04
Japan	5	133.9	133.9	142.6	-1.0	0.01
Pacific	5	214.7	214.7	228.6	-2.2	0.30
Secs of America	5	180.5	180.5	192.2	-0.5	1.13
W'wide Asset Val	5	26.46	26.46xd	28.17	-0.15	1.06
Specialist Trusts						
Asset Value	5	309.3	311.1	331.3	+1.7	3.01
Conv & Gilt	5	36.06	36.67xd	39.05	+0.12	6.35
Smaller Co's	5	162.9	162.9	173.4	+0.7	2.03
2nd Smaller Co's	5	184.9	184.9xd	196.9	-0.2	1.99
Recovery	5	97.03	97.03	103.3	.....	2.79
Met. Min & C'dty	5	105.4	105.4	112.2	-0.5	1.34
O'seas Earnings	5	203.2	203.2	216.4	+0.8	3.23
Technology	5	85.55	85.55	91.11	-0.04	1.59
UK Special Sits	5	246.2	246.2xd	262.2	+1.5	2.76

Bishopsgate Progressive Mgmt Co (1200)F
15 St James' Place, London SW1A 1NW 01-493 8111

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Progressive Inc	5	£15.20	£15.47	16.33	-0.2	2.70
Progressive Acc	5	£21.33	£21.72	22.92	-0.28	2.70
International Inc	5	£15.81	£15.81xd	16.69	-	1.56
International Acc	5	£19.92	£19.92	21.02	-	1.56
Can & Foreign Inc	5	185.5	185.5	195.8	-	2.36
Can & Foreign Acc	5	206.7	206.7	218.2	-	2.36
Special Sits Inc	5	158.2	158.2	167.0	-	2.06
Special Sits Acc	5	158.2	158.2	167.0	-	2.06

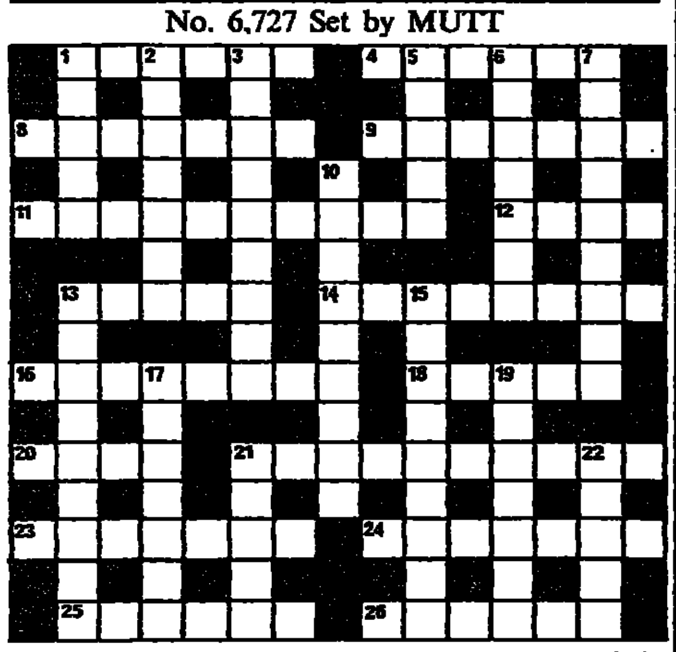
Brewin Dolphin Unit Tst Mgrs Ltd (0905)F
5 Giltspur St, London EC1A 9DE 01-248 4400

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Brewin Capital	5½	172.7	183.6	195.3	.....	1.61
Brewin Dividend	5½	91.83	96.26	102.4	.....	6.10
Brewin Int Gth Inc	5½	199.6	209.3	222.6	.....	0.60

JOTTER PAD

CROSSWORD

No. 6,727 Set by MUTT



ACROSS
1 Lost a bit of useful information (3-3)
4 Most capable, stable sort .... (6)
8 .... coming awry, spoken to a few others (7)
9 Out of money? Elucidate! (7)
11 Strutter with rubber beetle? (10)
12 The old devil will want a cut (4)
13 Beastly creature – longing to get this year out (5)
14 A little predicament resolved on the mezzanine floor (8)
16 Continuous whole (8)
18 Biblical character, American flower (5)
20 Novice gets Yankee agreement about bark (4)
21 University official coming round about article by parent (10)
23 Return of impertinence gets parrot the old punishment (7)
24 Disapproves of some things (7)
25 Lor! Procure a what-d'ye-call-it (6)
26 Successor has brought in iron cow (6)

DOWN
1 Trunk with roots (5)
2 Bristle king found in the chutney (7)
3 Florida's hot bet on a look at the past (5-4)
5 Dog with offensive smell, cross-eyed, initially a bit repulsive (5)
6 Making points that have weight, being articulate (7)
7 Holding fast to catch up on a number of debts (9)
10 One not far removed from the PM (9)
13 Pelt round the north with band, causing delay (9)
15 Fair deal – a lot rebel (9)
17 Irritated about pages being ruffled (7)
19 A common thief? Can you see any future in it? (3-4)
21 Has the President got over the impulse to clear out? (5)
22 Cad beheaded animal (5)

Solution to Puzzle No.6,726

ALBERT EINSTEIN
C R E U N T M A
CROESUS NEAREST
U A T U O G N U
RUDD GASCONADER
A C P L E A E
TEASEL INSTALL
E S R R T I A S
STRIKER DORSET
S O I T N S R
CALEDONIAN MIDI
R Y I D S P T D
ARTICLE TRIBUNE
P T A E E N O N
SMALLFRY DECENT

GUIDE TO UNIT TRUST PRICING

The data included under the Authorised section of the FT Unit Trust Information pages is being expanded to improve the service to readers and to conform with new legislation.

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♣ - 1101 to 1400 hours; ♦ - 1401 to 1700 hours; ♠ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that prices are set on a historic basis. This means that, unless there has been an intervening portfolio revaluation, investors can normally buy and sell units today at the prices appearing in the newspaper which have been set on the basis of yesterday's asset value.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.
Other explanatory notes are contained in the last column of the FT Unit Trust Information pages.

هكذا من الأصل

هكذا من الأصل

FT UNIT TRUST INFORMATION SERVICE

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Phoenix Assurance Co Ltd
Phoenix House, Redcliff Hill, Bristol 0272 294941

	Bid Price	Offer Price	+ or -	Yield Gross
Life Assurance Funds				
Wealth Assd	382.7	402.9	—	-
Eb'r Ph. Eq	344.2	366.6	—	-
Pension Plan Funds				
Phoenix				
UK Equity Acc	165.8	174.5	+1.1	-
International Acc	140.0	147.3	-0.9	-
Property Acc	146.8	154.5	+0.3	-
Fixed Interest Acc	154.5	162.6	+0.8	-
Money Acc	143.5	151.0	+0.1	-
Bldg. Soc. Link Acc	140.3	147.6	—	-
Special Mnged. Acc Q	151.1	159.0	+0.6	-
Phoenix/Framlington				
Intnl. Growth Acc	86.00	90.50	-0.50	-
Am Smllr. Cos. Acc	86.50	91.00	-0.60	-
Capital Tst. Acc	172.3	181.3	+0.9	-
Japan & Gen Acc	185.0	194.7	-1.1	-
American Turn Acc	96.00	101.0	-0.6	-
Recovery Tst. Acc	175.3	184.5	+0.3	-
Special Mngd Acc	146.7	154.4	+0.1	-
Phoenix/GT				
International Acc	129.9	136.7	-0.9	-
US & General Acc	86.10	90.60	-0.90	-
Amer Spec Sits Acc	65.50	68.90	-0.50	-
Japan & General Acc	188.8	198.7	+0.2	-
Far East & Gen. Acc	135.0	142.1	-0.7	-
UK Capital Acc	172.6	181.6	+1.3	-
European Acc	140.1	147.4	-0.9	-
Special Mngd. Acc	126.0	132.6	+0.3	-

Pioneer Mutual Insurance Co Ltd
16 Crosby Rd, N. Waterloo, Liverpool 051-928 6655

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Fund	256.7	270.3	—	-
Max Pens Inc & Cap Fds	323.8	340.9	—	-
Money Fund	113.9	119.9	—	-
Pens. Mngd Fd (Unit)	86.4	91.0	—	-
Pens Mngd Fd (Acc)	100.0	105.3	—	-
Pens FT30 Fd (Unit)	121.8	128.3	—	-
Pens FT30 Fd (Acc)	141.0	148.5	—	-
Pens O'seas MgFd(Unit)	59.2	62.4	—	-
Pens O'seas MgFd(Acc)	68.6	72.3	—	-
Pens Fxd Int Fd (Unit)	102.0	106.4	—	-
Pens Fxd Int Fd (Acc)	116.9	123.1	—	-
Pens Deposit Fd (Unit)	101.7	107.1	—	-
Pens Deposit Fd (Acc)	117.7	123.9	—	-

Premium Life Assurance Co Ltd
37-39, Perrymount Road, Haywards Heath 0444 458721

	Bid Price	Offer Price	+ or -	Yield Gross
American	98.0	104.0	-1.0	-

Provident Mutual Life Assc. Assn.
William Rd, Hitchin, Herts SG4 0LP 0438 739000

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Ord	282.4	297.3	+1.1	-
Managed Init	232.9	245.2	+0.9	-
Equity Ord	394.6	415.4	+2.9	-
Equity Init	325.3	342.4	+2.3	-
Index Linked Gilt Ord	121.9	128.3	+0.1	-
Index Linked Gilt Init	105.0	110.5	+0.1	-
Overseas Equity Ord	250.5	263.7	-1.6	-
Overseas Equity Init	206.5	217.4	-1.3	-
Property Ord	172.2	181.3	—	-
Property Init	142.0	149.5	—	-
Fixed Interest Ord	168.2	177.1	+1.1	-
Fixed Interest Init	138.6	145.9	+0.7	-
Deposit Ord	135.6	142.7	—	-
Deposit Init	111.8	117.7	—	-
Pension Funds				
Managed Ord	340.4	358.3	+1.5	-
Managed Init	280.7	295.5	+1.3	-
Equity Ord	493.4	519.4	+4.1	-
Equity Init	406.8	428.2	+3.4	-
Pen Ind Lkd Gilt Ord	131.4	138.3	+0.1	-
Pen Ind Lkd Gilt Init	113.1	119.1	—	-
Overseas Equity Ord	282.8	297.7	-2.1	-
Overseas Equity Init	233.2	245.5	-1.8	-
Property Ord	201.7	212.3	—	-
Property Init	166.3	175.1	—	-
Fixed Interest Ord	190.7	200.7	+1.1	-
Fixed Interest Init	157.2	165.5	+1	-
Deposit Ord	169.4	178.3	+0.1	-
Deposit Init	139.6	146.9	—	-

For Provincial Life Ass Co Ltd see Prolific Life & Pensions Ltd

Prudential Assurance Co
Holborn Bars, London EC1N 2NH 01-405 9222

	Bid Price	Offer Price	+ or -	Yield Gross
Prufund				
Managed Aug 31	203.3	211.8	—	-

Prudential Holborn Life Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

	Bid Price	Offer Price	+ or -	Yield Gross
Holborn Series I Life Funds				
Managed	436.0	459.0	+1.7	-
Equity	871.8	917.7	+6.0	-
Fixed Interest	369.2	388.7	+1.3	-
Property	353.0	371.6	+0.2	-
Cash	245.2	258.2	+0.1	-
International	298.6	314.4	-1.3	-
Holborn Series II Life Funds				
Managed	427.9	450.5	+1.6	-

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

UK LISTED

OFFSHORE INSURANCES

FT UNIT TRUST INFORMATION SERVICE

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

1988 High	1988 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
		"Shorts" (Lives up to Five Years)				
99	83	Redemption 3pc 1986-96	99¼xd	......	–	–
100¼	99	Treas. 9½pc '88	99	......	9.53	11.65
102	99	Treas 11½pc 1989	99	+⅛	11.51	11.63
101	98	Treas 9½pc Cnv 1989	98	+⅛	9.61	11.47
97¼	95	Treas 3pc 1989	96	......	3.12	9.05
102	99⅛	Treas 10½pc 1989	99	+	10.58	11.50
102	98	Exch. 10pc 1989	98	+	10.12	10.44
103	99	Exch 11pc 1989	99xd	+	11.03	11.34
97	94⅛	Treas 5pc 1986-89	94	+	5.27	10.04
104	98¼	Exch 10¼pcCv '89	99	+	10.35	11.10
107½	102¼	Treas 13pc 1990‡‡	102	+	12.65	10.69
104	100	Exch 11pc 1990‡‡	100½	+	10.45	10.59
107	102	Exch. 12½pc 1990	102½xd	+⅛	12.20	10.76
93	90⅛	Treas. 3pc 1990	90	+	3.31	9.19
99	95	Treas 8¼pc 1987-90‡‡	96	+	8.58	10.65
102¼	95¼	Treas. 8pc Cv 1990 ‡‡	96	+	8.29	10.06
103	98	Treas. 10pcCv 1990	98⅛	+⅛	10.14	10.74
91	87	Exch 2½pc 1990	87	–	2.86	8.85
107	101	Treas 11¾pc 1991	102¼	+	11.51	10.68
95	90	Funding 5¾pc '87-91‡‡	90xd	+	6.35	10.01
90	86	Treas. 3pc 1991	86	+	3.47	8.73
105	98	Treas 10pc Cv '91 ‡‡	98	+	10.12	10.48
107	100	Exch. 11pc 1991	101	+	10.88	10.58
98	92	Treas. 8pc 1991	93	+	8.60	10.56
113	105	Treas 12¾pc 1992‡‡	106	+	11.99	10.45
104	98	Treas 10pc 1992	98	+	10.13	10.44
98	92¼	Treas. 8pc 1992 ‡‡	92xd	+	8.62	10.46
106¼	99½	Treas 10½pc Cv 1992‡‡	100	+	10.50	10.48
86	82	Treas. 3pc 1992	82	+	3.65	8.60
112	104	Exch. 12¼pc '92	105	+¼	11.60	10.48
117	108	Exch 13½pc 1992	109xd	+¼	12.32	10.53
97	91¼	Treas 8¼pc 1993	92	+¼	8.93	10.41
105	97	Treas 10pc 1993‡‡	98	+¼	10.15	10.40
115	107	Treas 12½pc 1993‡‡	107¼	+	11.63	10.47
		Five to Fifteen Years				
93	88⅛	Funding 6pc 1993‡‡	88⅛xd	–	6.79	8.94
121	112	Treas 13¾pc 1993‡‡	112	+¼	12.20	10.50
101	91	Treas. 8½pc 1994	92	+	9.21	10.39
44	41	Tr 8½pc 1994 'A' (50% pd)	42	+	9.21	10.41
125	115	Treas 14½pc 1994‡‡	116	+	12.44	10.46
120	111	Exch 13½pc 1994	112¼	+	12.04	10.58
105	98	Treas. 10pc Ln. 1994‡‡	98	+	10.13	10.29
116	107	Exch. 12½pc 1994	108½	+	11.53	10.54
101	93	Treas 9pc 1994‡‡	94	+	9.54	10.23
114	105	Treas 12pc 1995	106	+	11.24	10.50

[illegible]

Over Fifteen Years

[illegible]

BRITISH FUNDS—Contd

Undated

[illegible]

Index-Linked

[illegible]

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, ie 8 months prior to issue and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for December 1987: 103.3 and for July 1988: 106.7.

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

1988 High	1988 Low	Stock	Price £	+ or –	Div % Gross	Red. Yield
45	33	Greek 7pc Ass	45		3.50	7.78
45	33	Do 6pc 28 Stb Ass	45xd	..	3	6.67
45	33	Do 4pc Mixed Ass	45xd	......	2	4.44
75	63	Hung. '24 Ass	75	...	2.75	3.67
140	126	Hydro Quebec 15pc 2011	133	+	15.00	10.97
128¼	118	Iceland 14½pc Ln 2016	125	+	14.50	11.42
101¼	95	Ireland 9¾pc '91-96	95xd	....	9.75	10.70

AMERICANS

1988 High	1988 Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
29¼	22¼	Abbott Laboratories	28xd	.	$1.20	–	2.5
649p	405p	Allegheny & W 1c.	445m	.	30c	–	4.0
14	662p	Amax $1	12	+	Q20c	–	0.9
31	16¼	Amdahl 5c.	23¼	.	20c	–	0.5
31	22	Amer Cyanamid $5	28⅛	.	$1.20	–	2.5
17½	11¼	Amer. Express 60c.	17xd	+	76c	–	2.6
10⅛	668p	Amer Medical Int. $1	10	.	72c	–	4.2
17¼	13	American T. & T $1	14¼	+⅛	$1.20	–	4.8
54¼	44	Ameritech $1	54⅛	..	$5.40	–	5.8
28	16	Amiat £	28		–	–	–
18¼	15	Anheuser-Busch $1	18⅛	+	60c	–	1.9
575p	360p	BankAmerica $1	837p	..		–	–

[illegible]

Continued on next page

[illegible]

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

UNIT TRUST NOTES

[illegible]

LONDON SHARE SERVICE

AMERICANS—Contd

1988 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
27⅛	23⅝	Texas Instr. $1	24	......	72c	–	1.8
60¼	43¼	Time Inc. $1	56¼xd	......	$1.00	–	1.0
20⅝	15⅞	Transamerica $1	20⅝xd	......	$1.84	–	5.2
20¼	14½	TRINOVA Corp	15xd	......	64c	–	2.5
19	15¼	USX $1	16¾	–⅙	$1.20	–	4.3
23	17⅝	Utd. Technologies	21⅜xd	–⅛	$1.60	–	4.3
33½	26¼	US West	32⅝	......	$3.52	–	6.3
22⅝	16⅞	Waste Management $1	21⅞xd	–½	48c	–	1.3
16⅞	12⅞	Whirlpool $1	15¼	......	$1.10	–	4.3
32⅞	18¼	♦Woolworth $3½	29	......	$1.64	–	3.3

CANADIANS

309p	173p	ABM Gold Corp ‖	204p	......	–	–	–
32p	11p	♦Abbot Energy Corp.	13½p	......	–	–	–
14¼	990p	♦Amer. Barrick Res.	10¼	......	–	–	–
10p	3½p	American Lightwave	3¾p	......	–	–	–
47p	15p	♦Armeno	16¼p	......	–	–	–
76p	45p	Augmitto Expln.	48½p	......	–	–	–
13⅞	10⅝	Bk. Montreal ‖	13¼	......	$2.00	–	7.3
697p	514p	Bk. Nova Scot. ‖	679p	......	76c	–	5.4
18⅛	15¼	BCE ‖	17¼xd	......	$2.44	–	6.7
716p	591p	♦Bow Valley ‖	655p	......	40c	–	3.0
13⅞	10½	♦Brascan ‖	11¼	......	88c	–	3.8
328p	189p	♦Breakwater Res.	225p	......	10c	–	2.2
11¼	801p	Can. Imp Bank ‖	11¼	......	$1.16	–	4.8
11½	841p	Can. Pacific ‖	18	......	60c	–	2.9
41½	40	Do. 4pc Deb £100	40½	......	4%	–	9.9

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS — Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INDUSTRIALS (Miscel.)—Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LONDON SHARE SERVICE

LEISURE—Contd

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING — Contd

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

60	33	Propeller 1p ... y	42	..	—	—	— 20.3
31	13	Publishing Hldgs.5p y	20	...	—	—	— 12.0
237	150	Royal Sovereign 10p. y	220	...	4.6	1.9 2.8	20.6
26	22½	Scott Pickford 10p ..y	24½	.....	3.1	0.7 16.9	12.7
116	68	Seacon Hldgs ..... y	106	.....	—	—	—
15½	11½	Sonic Tape 2½p....y	11½	.....	—	—	15.1
27	18	Stats Hldgs. 5p y	22	...	—	—	♦
4½	2½	Swansard Studios 1p y	3½	+¼	—	—	♦
298	200	Takare. ....y	273	+3	b1.0	8.1 0.5	28.0
70	41	Theme Holdings ... y	66	−1	♦1.1	♦ 2.2	♦
36	26	Tomorrows Leisure 20p y	30	.....	—	—	♦
25	13½	Tullow Oil 10p..... y	20	+1	—	—	—
135	110	UPL Group 10p.. y	112	+2	L2.41	4.3 2.9	15.2
182	120	Unit Group. .... y	175	−3	5.0	♦ 3.8	♦
125	85	Video Tape Rec 5p. y	110	.....	L2.3	2.3 2.8	15.8

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable, bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution, this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ● Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- ¥ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ‡ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p.... y	70	......
Craig & Rose £1.. y	690	......
Finlay Pkg. 5p.... y	87	−1
Holt (Jos) 25p.... y	£11¼	−¼

IRISH

Nat. 9¼% 84/89..	£100	......
9pc Cap Ln. 1996..	£99⅝	+⅛
Fin. 13% 97/02...	£119	......
Arnotts.. .... y	355	−10
Carrol Inds.......... y	155	...
Grafton Grp......... y	125xd	...
Hall (R & H).......	154	−6
Heiton Hldgs... .... y	51xd	
Irish Ropes.......... y	163	..

For Unidare see Electricals

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	95
Amstrad	16
BAT	36
BOC Grp	36
BSR	8
BTR	22
Barclays	35
Beecham	42
Blue Circle	38
Boots	19
Bowaters	35
Brit Aerospace	35
Brit. Telecom	22
Burton Ord	21
Cadburys	32
Charter Cons.	30
Comm Union	34
Courtaulds	34
FKI Babcock	12
FNFC	23
Gen Accident	65
GEC	13
Glaxo	85
Grand Met.	45
GUS 'A'	95
Guardian	65
GKN	28
Hanson	12
Hawker Sidd	48
ICI	72
Jaguar	26
Ladbroke	38
Legal & Gen	25
Lex Service	33
Lloyds Bank	26
Lucas Inds	50
Marks & Spencer	17
Midland Bk	37
Morgan Grenfell	38
NEI	10
Nat West Bk	52
P & O Dfd	52
Plessey	16
Polly Peck	30
Racal Elect	32
RHM	30
Rank Org Ord	64
Reed Intnl	36
STC	24
Sears	11
TI	28
TSB	9
Tesco	14
Thorn EMI	60
Trust Houses	21
T&N	17
Unilever	42
Vickers	14
Wellcome	45

Property	
Brit Land	30
Land Securities	52
MEPC	52
Peachey	50

Oils	
Brit. Gas	15
Brit Petroleum	24
Burmah Oil	50
Charterhall	3
LASMO	40
Premier	7½
Shell	95
Ultramar	26

Mines	
Cons Gold	95
Lonrho	20
RTZ	35

A selection of Options traded is given on the London Stock Exchange Report Page

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £940 per annum for each security.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tuesday September 6 1988: Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1988 to date	Mon Sep 5 Index No.	Fri Sep 2 Index No.	Thu Sep 1 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (210)	769.94	+1.1	10.51	4.18	11.80	17.69	761.92	752.18	745.18	964.08
2	Building Materials (29)	968.38	+1.1	11.81	4.41	10.39	21.96	957.49	950.19	942.05	1217.90
3	Contracting, Construction (37)	1557.28	+2.8	10.77	3.46	12.11	29.81	1514.41	1492.08	1478.49	1737.86
4	Electricals (12)	2109.78	+1.2	8.88	4.76	13.86	53.78	2084.69	2068.62	2053.59	2468.35
5	Electronics (30)	1675.29	+0.8	10.39	3.66	12.41	40.42	1662.39	1637.99	1624.51	2020.36
6	Mechanical Engineering (58)	406.20	+0.7	10.03	4.29	12.34	9.39	403.54	398.39	394.99	521.92
8	Metals and Metal Forming (7)	462.85	+0.4	10.19	4.10	12.14	7.95	460.89	452.74	444.19	572.49
9	Motors (14)	268.00	+0.8	12.14	4.91	9.50	7.06	265.88	263.29	259.47	384.65
10	Other Industrial Materials (23)	1260.30	+0.8	9.33	4.55	12.82	30.04	1250.90	1230.03	1218.95	1671.73
21	CONSUMER GROUP (185)	1038.59	+0.2	9.55	3.83	13.23	19.52	1036.80	1027.26	1019.23	1313.20
22	Brewers and Distillers (21)	1079.24	+0.4	10.82	3.78	11.65	20.86	1075.42	1065.39	1057.75	1189.42
25	Food Manufacturing (21)	929.87	−0.1	9.42	4.00	13.55	17.99	930.58	923.15	918.87	1004.65
26	Food Retailing (16)	1892.01	+0.4	9.15	3.52	14.43	38.49	1884.23	1879.54	1865.44	2434.77
27	Health and Household (12)	1803.12	+0.3	6.91	2.72	16.81	18.01	1797.39	1781.09	1764.95	2450.56
29	Leisure (30)	1298.09	+0.7	9.50	3.93	13.51	29.54	1288.71	1276.69	1268.75	1397.20
31	Packaging & Paper (17)	511.30	+1.1	9.79	4.06	13.08	10.47	505.70	495.63	486.34	688.34
32	Publishing & Printing (18)	3339.48	+0.2	8.77	4.57	14.23	73.53	3333.47	3312.39	3271.92	4696.80
34	Stores (34)	737.95	−0.2	11.25	4.49	11.69	15.59	739.15	733.26	729.13	1084.28
35	Textiles (16)	555.48	+0.3	12.44	4.91	9.43	12.69	553.87	545.37	537.09	841.22
40	OTHER GROUPS (93)	871.50	+0.1	11.44	4.53	10.68	20.21	870.89	861.50	855.67	1134.84
41	Agencies (19)	1047.94	−0.8	8.65	2.64	14.61	18.11	1056.80	1042.07	1041.97	1695.46
42	Chemicals (21)	1030.34	−0.2	12.41	4.93	9.67	35.79	1032.73	1023.48	1014.45	1477.15
43	Conglomerates (13)	1187.51	----	10.74	4.55	10.74	24.52	1187.19	1172.93	1159.81	1437.26
45	Shipping and Transport (12)	1860.78	+0.1	11.67	4.83	11.32	35.65	1858.09	1840.52	1826.67	2258.93
47	Telephone Networks (2)	927.62	+0.6	11.98	4.80	10.83	20.38	921.81	918.76	904.43	1084.85
48	Miscellaneous (26)	1192.91	----	11.47	4.34	9.96	24.75	1193.56	1183.12	1180.54	1660.02
49	INDUSTRIAL GROUP (488)	935.77	+0.4	10.33	4.11	12.04	19.77	931.91	922.36	915.06	1189.36
51	Oil & Gas (12)	1736.24	−0.4	10.88	6.23	11.80	64.62	1742.44	1722.20	1695.91	2217.36
59	500 SHARE INDEX (500)	1003.69	+0.3	10.40	4.41	12.01	23.54	1000.63	990.18	981.32	1276.66
61	FINANCIAL GROUP (122)	671.58	+0.4	–	5.22	–	21.00	668.73	663.60	657.71	828.99
62	Banks (8)	641.51	+0.7	22.31	6.80	6.01	30.77	637.32	634.21	630.57	826.10
65	Insurance (Life) (8)	1008.39	----	–	5.02	–	26.91	1008.69	988.42	977.63	1127.73
66	Insurance (Composite) (7)	523.76	+0.1	–	5.96	–	18.42	523.42	521.38	514.76	629.93
67	Insurance (Brokers) (7)	957.59	----	10.04	6.65	12.87	32.03	957.73	935.63	921.33	1222.90
68	Merchant Banks (11)	327.30	+0.4	–	4.38	–	7.09	325.99	329.99	328.57	489.73
69	Property (51)	1172.13	+0.7	5.65	2.78	22.66	16.08	1164.54	1153.30	1139.86	1285.89
70	Other Financial (30)	357.76	+0.5	10.84	5.44	11.60	10.24	355.93	354.53	353.89	563.08
71	Investment Trusts (78)	896.86	+0.9	–	3.14	–	14.93	888.87	880.39	871.89	1132.08
81	Mining Finance (2)	505.26	−1.3	9.48	3.72	11.93	8.12	511.95	510.69	500.51	671.21
91	Overseas Traders (8)	1149.72	+0.4	10.00	4.86	11.75	35.31	1145.33	1141.38	1126.79	1214.18
99	ALL-SHARE INDEX (710)	918.62	+0.3	–	4.49	–	22.40	915.69	906.74	898.42	1161.58

	Index No.	Day's Change	Day's High	Day's Low	Sep 5	Sep 2	Sep 1	Aug 31	Aug 30	Year ago
FT-SE 100 SHARE INDEX ♦	1768.0	+3.5	1777.1	1766.9	1764.5	1746.9	1730.5	1753.6	1754.8	2275.8

FIXED INTEREST

	PRICE INDICES	Tue Sep 6	Day's change %	Mon Sep 5	xd adj. today	xd adj. 1988 to date
	British Government					
1	5 years	119.03	+0.18	119.00	0.18	8.11
2	5–15 years	134.05	+0.14	133.87	–	9.42
3	Over 15 years	144.38	+0.18	144.72	0.59	9.90
4	Irredeemables	163.33	+0.43	162.64	–	8.84
5	All stocks	132.86	+0.99	131.71	0.15	9.09
	Index-Linked					
6	5 years	126.02	+0.03	125.99	–	1.81
7	Over 5 years	119.94	−0.05	120.00	–	2.43
8	All stocks	120.27	−0.04	120.32	–	2.37
9	Debentures & Loans	115.84	−0.08	115.93	–	7.37
10	Preference	89.94	−0.34	90.25	–	3.74

	AVERAGE GROSS REDEMPTION YIELDS		Tue Sep 6	Mon Sep 5	Year ago (approx.)
	British Government				
1	Low	5 years	10.08	10.12	9.59
2	Coupons	15 years	9.65	9.68	9.81
3		25 years	9.32	9.35	9.70
4	Medium	5 years	10.40	10.46	10.31
5	Coupons	15 years	9.88	9.90	10.08
6		25 years	9.59	9.60	9.85
7	High	5 years	10.56	10.61	10.39
8	Coupons	15 years	10.01	10.04	10.26
9		25 years	9.56	9.59	9.90
10	Irredeemables†		9.28	10.01	9.92
	Index-Linked				
11	Inflation rate 5%	5yrs.	3.45	3.46	3.42
12	Inflation rate 5%	Over 5 yrs.	3.92	3.91	4.05
13	Inflation rate 10%	5yrs.	2.40	2.40	3.35
14	Inflation rate 10%	Over 5 yrs.	3.75	3.74	4.04
15	Debs &	5 years	11.40	11.33	11.36
16	Loans	15 years	11.24	11.21	11.36
17		25 years	11.14	11.13	11.36
18	Preference†		10.07	10.04	10.82

♦Opening index 1767.0; 10 am 1774.4; 11 am 1774.7; Noon 1775.6; 1 pm 1776.9; 2 pm 1776.8; 3 pm 1773.8; 3.30 pm 1772.8; 4 pm 1768.5

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	95	14	4
Corporations, Dominion and Foreign Bonds	17	1	33
Industrials	518	299	780
Financial and Properties	219	75	367
Oils	19	32	55
Plantations	2	0	11
Mines	21	65	108
Others	36	25	211
Totals	927	511	1,569

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. date	1988 High	1988 Low	Stock	Closing Price	+or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
§145	F.P.	-	173	145	Christie Group 2p	166	+1	13.5	3.1	2.8	15.2
§75	F.P.	16/9	83	76	Dalzemlaster 10p	76		N1.13	2.0	2.0	33.2
§95	F.P.	-	108	87	Eurocopy 5p	88	-1	R2.19	2.5	3.3	15.2
§40	F.P.	-	41	40	Exmoor Dual Inv. Tst.	40	-1	1.2	-	4.0	-
§100	F.P.	-	100	100	Do. Income 100p	100		R6.9	-	9.2	-
§115	F.P.	22/8	165	128	‡Locat Group 10p	158	-2	3.7	2.5	3.1	14.7
†	F.P.	-	104	75	Lowndes Queensway 5p	75	-1½	5.75	0.7	10.2	18.2
120	F.P.	-	151	123	National Telecom 5p	139		12.0	4.1	1.9	13.6
§100	F.P.	28/7	106	88	Needler Group	88		u9.8	2.1	4.9	9.6
60	F.P.	26/8	74	53	‡Option Group 10p	53		-	-	-	18.1
♦	F.P.	-	88	76	RIT Capital Partners £1	79	+1	-	-	-	-
§140	F.P.	27/7	161	136	‡Reject Shop 5p	138		G3.15	2.2	3.0	17.8
§60	F.P.	-	63	61	*Rentamaster 5p	62		a1.0	4.3	2.2	14.5
240	F.P.	5/8	141	109	Rockfort Group 20p	111	+1	R3.9	3.3	4.7	7.2
§125	F.P.	19/8	133	121	Savills 5p	122	+1	L3.0	2.5	3.3	13.5
♦	F.P.	-	143	115	Seafield	122		-	-	-	-
-	F.P.	-	68	60	Tamaris 10p	61	+1	g2.0	0.4	4.4	-
-	F.P.	-	23	14	Waverley Mining Warrants	23		-	-	-	-

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1988 High	1988 Low	Stock	Closing Price £	+ or -
♦	F.P.	-	96p	95p	Alexon Group 6.25p Cv. Rd. Pf. 10p	95p	+1
100p	F.P.	-	115p	110p	BBLP Group 8p Cv Rd Pf 10p	111p	
101.09	F.P.	-	102p	100¼p	Brent Chemicals Int. 9pc Cm Rd Pf	100¼p	+¼
100p	F.P.	-	106p	92p	Dares Estates 7.75pc Cnv Cm Rd Prf	92p	
§100p	F.P.	-	101p	99½p	Exmoor Dual Inv. Tst. Zero Cn Prf	100p	-1
§101.2	F.P.	9/9	101½p	99p	Lon & Edin Tst 8% 1st Cm Rd Pf 2013	99p	-1
§100.9	F.P.	-	99½p	98½p	McCarthy & Stone 8.75pc Rd. Pf. 2003	99½p	+½
-	F.P.	-	100	98⅛	N'wide Ang. 11⅛pc 7.8.89	98⅛	
-	F.P.	-	100	98⅞	Do. 11⅞pc 29.8.89	99⅛	
100p	F.P.	29/9	120p	100p	Pleasurama 7.75pc Cv Cm Rd Pf	100p	-½
♦	F.P.	-	86½	78½	RIT Capital Ptnrs 2½pc Cv Uns Ln 2000	81	
100p	F.P.	-	104p	98p	Tamaris 8½pc Cv. Rd. Pf. 2003	100p	
§100p	F.P.	-	96p	94p	York Trust Grp. Rd. Cm. Cv. Pf. 20p	94p	-2

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1988 High	1988 Low	Stock	Closing Price p	+ or -
37.5	Nil	7/10	27pm	16pm	Amber Day Hldgs. 2½p	17pm	
110	Nil	-	6pm	6pm	Arley Hldgs.	6pm	
80	Nil	-	3½pm	1½pm	Ashley Industrial Trust 5p	3½pm	
155	Nil	-	14pm	13pm	Blagden Industries	13pm	
40	Nil	-	6pm	3pm	*Chemex Intl. 5p	3pm	
18	F.P.	-	19	18	Claremont (UK)	19	+1
350	Nil	-	85pm	40pm	‡Creighton Laboratories 20p	85pm	+27
10	Nil	5/10	14pm	7pm	‡F & H Group 10p	9pm	+2
205	Nil	30/9	41pm	24½pm	Fisons	25pm	
55	Nil	-	4pm	2pm	Five Oaks Investments 5p	3pm	
75	Nil	-	4pm	2pm	‡Perkins Foods 10p	2pm	
350	Nil	-	50pm	40pm	Microfilm Reprographics 10p	45pm	-5
180	Nil	-	17pm	7pm	TACE 10p	15pm	+5
25	Nil	12/9	10pm	2pm	Wilshaw 5p	2pm	-½

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. s Dividend and yield exclude special payment. n Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on Prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ♥ Issued by tender. § Offered to holders of ordinary shares as a "rights". † Introduction. ‡ Placing price. †† Reintroduction. ♦ Issued in connection with reorganisation merger or takeover. ‡ Allotment price. & Unlisted securities market. ♠ Official London listing. □ Including warrants entitlement. * Third Market.

TRADITIONAL OPTIONS

- First Dealings Aug 22
- Last Dealings Sep 9
- Last Declarations Nov 24
- For settlement Dec 5

For rate indications see end of London Share Service

Stocks to attract money for the call included **Camford, Marley, Consolidated Gold Fields, Pentland Industries, Biomechanics, Lowand Bonar, Norex, De Beers, Reliant Motor, Standard Chartered, Astra Holdings, Amber Day** and **Blue Arrow**. A put was arranged in **Marina Developments**, but no double options were reported.

LONDON TRADED OPTIONS

Option		CALLS			PUTS		
		Oct.	Jan.	Apr.	Oct.	Jan.	Apr.
Allied Lyons (*398)	360	46	–	–	2½	–	–
	390	21	31	40	9	16	18
	420	7	17	25	27	32	34
Brit. Airways (*155)	140	20	22	27	2	4½	8
	160	6	12	16	11	15	17
	180	1	3½	–	28	30	–
Brit. & Comm. (*224)	220	13	20	27	9	10	15
	240	4	9	15	23	25	27
	260	3	5	9	40	42	43
B.P. (*247)	240	12½	21½	24½	4½	7½	12
	260	3½	11	13½	15	16½	23
	280	½	4½	6½	34	34	38
Bass (*755)	750	25	42	52	17	33	38
	800	7	19	32	58	65	65
	850	1	8	–	100	105	–
Cable & Wire (*377)	330	55	63	72	2	7	10
	360	28	40	52	6	14	18
	390	10	22	33	20	27	32
Cons. Gold (*1003)	950	87	130	155	33	52	65
	1000	57	100	125	57	78	95
	1100	26	60	85	130	145	160
Courtaulds (*314)	300	25	34	41	5	11	14
	330	8	18	25	22	26	29
	360	2½	10	15	48	49	50
Com. Union (*340)	300	46	36	–	3	6	–
	330	22	34	40	11	15	23
	360	8	20	26	29	31	40
G.E.C. (*158)	140	21	26	29	1	3½	5
	160	6	11	15	5½	9	13
	180	1	4	8	23	24	26
G.K.N. (*320)	300	27	36	45	3	6	12
	330	8	19	26	14	20	25
	360	1	7	12	42	42	47
Grand Met. (*494)	460	44	60	67	4	8	14
	500	16	33	42	18	23	30
	550	2½	14	20	58	60	63
I.C.I. (*1015)	950	83	112	120	6	16	30
	1000	45	76	90	19	33	50
	1100	7	30	41	90	92	107
Jaguar (*246)	220	32	42	–	2	6½	–
	240	17	28	37	7	12	16
	260	6½	17	23	18	23	30
Land Securities (*561)	500	67	77	92	2	7	12
	550	27	42	55	12	20	25
	600	6	18	28	43	48	53
Marks & Spencer (*154)	140	19	21	26	1½	3½	5
	160	4½	9	14	9	12	13
	180	1	4	8	27	28	29
Britoil (*500)	420	–	–	–	1	–	–
	460	–	–	–	5	–	–
	500	–	–	–	14	–	–
Rolls-Royce (*131)	120	12½	17	23	2½	4	6½
	130	6	10½	16	6	8½	11
	140	2½	6½	10	12½	14½	17
STC (*258)	240	26	34	40	3	6	10
	260	11	21	28	9	13	17
	280	4	12	17	23	24	29
Salisbury (*210)	200	16	22	27	3	6	8
	220	4	10	15	13	16	18
	240	1	4	–	32	32	–
Shell Trans. (*996)	950	55	85	102	19	29	46
	1000	25	57	68	40	52	77
	1100	3	16	29	130	130	140
Storehouse (*193)	200	9	17	21	14	18	22
	220	3	10	14	30	32	32
	240	1½	6	9	49	49	49
Trafalgar House (*310)	280	34	38	42	3	7	9
	300	19	26	29	7	14	18
	330	5	10	16	24	30	34
T.S.B. (*99)	90	12	15	–	1	2½	–
	100	4	7	8½	3½	5½	8
	110	1½	3½	4½	12	12½	13
Utd. Biscuits (*270)	260	19	24	31	5	9	11
	280	7½	14	20	13	19	21
Ultramar (*256)	240	26	36	45	6½	13	20
	260	15	26	34	15	22	30
	280	6	18	24	29	33	42
Woolworth (*241)	220	27	33	40	5	10	12
	240	13	22	30	12	17	20
	260	4	12	22	25	28	30
Option		Nov	Feb	Apr	Nov	Feb	Apr
Ladbroke (*445)	390	63	72	–	2	5	–
	420	37	48	55	8	14	15
	460	12	27	33	28	32	34
Option		Nov	Feb	May	Nov	Feb	May
Brit Aero (*494)	460	43	60	73	11	18	25
	500	19	38	48	29	35	40
BAA (*260)	255	16	–	–	5	–	–
	260	–	20	27	–	11	16
	265	11	–	–	12	–	–
BAT Inds (*437)	420	29	43	50	13	17	23
	460	10	23	30	38	40	45
	500	3	–	–	73	–	–
Brit. Telecom (*232)	220	21	25	31	4	7	10
	240	8	12	18	12	16	20
Cadbury Schweppes (*354)	330	34	48	–	8	12	–
	360	19	28	38	22	25	32
	390	9	17	24	43	45	50
Guinness (*317)	300	24	34	39	7	10	13
	330	7	17	22	20	24	28
LASMO (*405)	390	33	55	65	15	27	33
	420	15½	39	50	31	41	48
	460	5½	24	32	63	67	77
P. & O. (*563)	500	65	80	–	4	7	–
	550	30	45	55	18	23	30
	600	9	22	30	52	55	62
Pilkington (*205)	180	31	33	–	2	4	–
	200	15	20	26	6	10	12
	220	5	11	16	19	22	24
Plessey (*155)	140	20	24	29	2	5	8
	160	9	13	17	11	13	16
	180	3	6½	10	27	28	29
Prudential (*154)	140	–	21	23	–	3	6
	150	10	–	–	4	–	–
	160	5	8	11	12	13	15
Racal (*298)	280	30	–	–	7	–	–
	300	18	30	38	15	19	25
	330	8	18	24	35	40	43
R.T.Z. (*417)	390	43	57	70	9	16	22
	420	23	38	50	20	30	37
	460	8	21	31	50	55	62
Vaal Reefs (*S66)	70	4½	8	10	6½	9	11
	80	1½	5	7	16	19	20
Option		Sep	Dec	Mar	Sep	Dec	Mar
Amstrad (*212)	200	17	25	34	4	8	12
	220	6	16	23	12	17	22
Barclays (*397)	390	–	–	40	–	–	22
	395	12	25	–	9	17	–
	420	–	–	20	–	–	42
Beecham (*472)	460	19	32	46	5½	16	20
	500	2½	13	26	31	38	43
BTR (*271)	260	11	19	28	4½	9	11
	280	2½	9½	18	17	20	23
Blue Circle (*437)	420	22	38	52	8	15	20
	460	4	18	32	34	38	42
	500	1	6	16	72	74	74
Dixons (*153)	140	16	22	27	2½	3½	8
	160	4	10	15	11	14	17
	180	1	4	9	29	31	32
Glaxo (*978)	950	45	68	100	11	38	50
	1000	17	45	73	37	65	74
	1050	5	–	–	77	–	–
Hawker Sidd. (*516)	460	62	68	78	2	6	10
	500	25	37	53	7	18	27
	550	3	17	28	38	50	53
Hillsdown (*274)	260	16	25	35	3	7	10
	280	5	14	24	12	17	20
	300	1	6	15	27	29	32
Ratners (*142)	130	13	16½	18	½	2½	3½
	140	4½	9	12	2½	6½	7
	160	½	1½	4	19	19½	20
Lonrho (*249)	240	13	25	29	2½	8	14
	260	2½	13	17	15	18	24
Midland Bk (*397)	390	15	30	38	6	11	17
	420	2	14	20	25	25	35
Sears (*128)	120	11	17	23	1½	6½	9
	130	5½	12	17	6	10½	14½
	140	2½	7½	12½	13	17	20
Tesco (*142)	140	6	11	16	5	8	9
	160	½	3	7	20	21	22
Trusthouse Forte (*237)	220	20	29	32	2	5½	9½
	240	6	16	20	7½	13	18
	260	2½	8	13	25	26	32
Thorn EMI (*625)	600	31	50	65	4½	12	20
	650	6	24	35	30	36	47
	700	2	10	17	75	75	80
Unilever (*448)	420	32	42	57	2½	8½	13
	460	5½	19	34	17	26	32
	500	1	7	18	55	55	60
Wellcome (*492)	460	36	52	68	3	11½	16
	500	11	29	45	17	27	34
Option		Sep	Dec	Apr	Sep	Dec	Apr
Boots (*203)	200	9	17	24	3	9	11
	220	2	8	15	19	21	24
	240	½	3½	8	40	39	39
Option		Oct	Jan	Mar	Oct	Jan	Mar
British Gas (*176)	170	11	–	–	2½	–	–
	180	4½	10½	12½	6½	9	11½
Option		Sep	Nov	Jan	Sep	Nov	Jan
RHM (*372)	360	23	32	37	7	11	14
	390	9	20	25	23	27	32
	420	3	10	13	50	52	53
Option		Nov	Feb	May	Nov	Feb	May
Conv. 9½% 2005 (*99)	98	[illegible]	[illegible]	–	[illegible]	1½	–
	100	[illegible]	[illegible]	–	[illegible]	2½	–
	102	½	[illegible]	–	3½	3½	–
Tr. 12% 1995 (*107)	106	[illegible]	[illegible]	–	[illegible]	[illegible]	–
	108	[illegible]	[illegible]	–	1½	1½	–
	110	[illegible]	[illegible]	–	3½	3½	–

Option		Sep. (Calls)	Oct. (Calls)	Nov. (Calls)	Dec. (Calls)	Sep. (Puts)	Oct. (Puts)	Nov. (Puts)	Dec. (Puts)
FT-SE Index (*1773)	1650	128	135	147	160	5	12	18	23
	1700	81	95	107	120	9	23	30	37
	1750	36	59	73	87	20	39	47	53
	1800	13	30	45	59	45	60	72	78
	1850	3	16	23	38	89	98	103	107
	1900	1½	7	10	18	138	138	142	145
	1950	1	4	5	–	187	189	189	–
	2000	½	2	3	–	237	239	239	–

Sept. 6 Total Contracts 28,105 Calls 16,360 Puts 11,745
FT-SE Index Calls 1951 Puts 2276
*Underlying security price.

LONDON STOCK EXCHANGE

Markets close well below best levels

Leading shares and government bonds looked like extending their recent strong recovery movement at one stage yesterday before running into a flurry of profit-taking. At the close Gilts were left with only minor gains on balance while earlier strong rises in leading blue-chips were sharply reduced.

Once again the Gilt-edged market was responsible for leading equities higher. Another firm showing by sterling - which rose nearly two cents against the dollar - and a gradual reduction in the key three months interbank rate to 12⅛ prompted a follow-through of demand for bonds. Optimists were also looking forward to another strong showing by the US Treasury Bond market which triggered the sharp recovery on Wall Street last Friday.

Buying interest was sufficient to lift long-dated issues ⅝ at the best of the day, but support subsequently faded away as sterling stuck and the US long-bond failed to build on its recent good performance. By the close rises in high-coupon longs had been reduced to as little as ⅛. The shorts were left virtually unchanged on the day.

Dealers were quick to point out that business in gilts yesterday was mostly between marketmakers: "There was very little interest from institutions, it was all rather disappointing", said one trader.

Equities tracked the bond market and sterling, and there was plenty of action around the various sectors which continued to respond to trading news and actual or rumoured takeover activity.

The FT-SE 100-share index, having opened with a 2.5 improvement, quickly moved up to post a 12.6 rise just after midday. Thereafter transatlantic influences came into play with London initially happy over the performance of Wall Street which was up some eights points on the Dow Jones Average at one point.

The FT-SE turned off to register a gain of only 2.4 in mid-afternoon before steadying again and ending the session a net 3.5 higher at 1768.0. Over the past three trading days the index has rallied 37.5.

Activity in equity sectors was again at relatively low levels, as measured by turnover, which, including marketmaker and customer business came out at 326.7m shares, compared with Monday's 284.8m.

Building issues remained in the spotlight with Taylor Woodrow among the day's best features amid continuing speculation that the near-10 per cent stake built up by P & O could be used as a springboard for a full bid for the company. Late news of a counter to Raine Industries' bid for Ruberoid also kept interest in the sector at a high level. Today, meanwhile brings interim figures from building industry leaders Blue Circle, George Wimpey and Costain Group.

Account Dealing Dates

First Dealings:		
Aug 15	Sep 5	Sep 19
Option Declarations:		
Sep 1	Sep 15	Sep 29
Last Dealings:		
Sep 2	Sep 16	Sep 30
Account Day:		
Sep 12	Sep 26	Oct 10

*New time dealings may take place from 9.00 am two business days earlier

FINANCIAL TIMES STOCK INDICES

	Sep 6	Sep 5	Sep 2	Sep 1	Aug 31	Year Ago	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs	86.83	86.58	86.28	86.48	86.54	85.86	91.43 (18/4)	86.28 (2/8)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	95.74	95.67	95.62	95.87	96.72	91.60	98.67 (25/5)	94.14 (8/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1426.0	1420.5	1405.9	1391.6	1409.4	1775.2	1514.7 (8/8)	1349.0 (8/2)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	184.1	186.9	191.4	193.1	194.1	454.2	312.5 (7/1)	184.1 (6/9)	734.7 (15/2/83)	43.5 (26/10/71)

Ord. Dl. Yield	4.76	4.78	4.83	4.88	4.82	3.33
Earning Yld %(full)	12.02	12.08	12.20	12.32	12.17	8.22
P/E Ratio(Net)(☆)	10.12	10.07	9.97	9.87	10.00	14.94
SEAQ Bargains(5pm)	18,657	19,829	26,376	22,577	19,380	33,427
Equity Turnover(£m)†	-	674.81	1005.96	820.73	934.56	1071.73
Equity Bargains†	-	21,723	27,351	21,676	20,148	35,333
Shares Traded (ml)†	-	296.8	394.7	321.6	277.8	339.4

Ordinary Share Index, Hourly changes

Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
-	1430.9	1431.4	1432.5	1433.2	1433.1	1430.2	1426.8

DAY'S HIGH 1433.2 DAY'S LOW 1422.7

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, ☆ Nil 10.03 † Excluding intra-market business.

S.E. ACTIVITY

Indices	Sep 5	Sep 2
Gilt Edged Bargains	85.2	95.5
Equity Bargains	140.7	177.2
Equity Value	1364.0	2033.3
5-Day average		
Gilt Edged Bargains	95.0	99.6
Equity Bargains	148.7	153.8
Equity Value	1657.8	1851.8

London Report and latest Share Index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ASDA Group	1,600	147½	+2	Cons. Gold	142	995	-11½	Land Securities	1,100	558	+3	Rothmans "B"	176	415½	+½
Abbey Life	1,400	368	-3	Cookson	664	252	+2	Laporte	656	396	-3	Royal Bank Scotland	76	346	+1½
Allied-Lyons	1,500	397	+3	Courtaulds	713	313	+2	Legal & General	969	310	+6	Royal Insurance	117	385	-1
Amstrad	1,200	212	+3	Dalgety	1,180	329		Lloyds Bank	1,700	291		STC	466	257	+2
Argyll Group	849	171		Dee Corporation	587	172	-1	LASMO	671	432	-½	Saatchi & Saatchi	333	332	-5
Assoc. Brit. Foods	203	300	-1	Dixons	1,300	153		Lonrho	2,700	243½	+½	Sainsbury	420	210	+1½
BAA	973	259		Eng. China Clays	947	465	+3	Lucas	883	532	+3	Scott & Newcastle	2,000	341½	+2½
BAT	1,900	436½	-½	Enterprise Oil	116	458½	-2½	MEPC	500	537	+3	Sears	980	139	-½
BET	701	224	-1	FKI Babcock	451	122	+1	Marks & Spencer	2,500	153½	+½	Shell Transport	673	992	-8
BICC	1,400	344	+6	Fisons	2,500	231	+1	Maxwell Comm.	284	198		Siebe	649	374	+5
BOC	176	394½	-½	General Accident	86	899	+3	Metal Box	2,200	221½	+1½	Slough Estates	680	364	-4
BPB Inds	156	364		General Elect.	2,700	157½	+2½	Midland Bank	379	396	+1	Smith & Nephew	5,450	115½	-1
BTR	2,000	275	+2	Glaxo	1,300	977	+7	NatWest Bank	1,600	541	+7	Standard Chartd	399	488	+3
Barclays	1,500	396	+2	Globe Investment	989	141	+2½	Next	376	204	-1	Storehouse	1,900	194	+1
Bass	388	750	+2	Glynwed	1,000	290		Northern Foods	315	267	-2	Sun Alliance	703	945	+3
Beecham	1,600	469½	+½	Granada	796	387	+1	Pearson	313	719		T & N	466	181	+7½
Blue Arrow	3,200	92½	-4	Grand Met	843	492½	-1½	Pearl Group	163	474	-5	TSB	1,600	98½	
Blue Circle	780	436	+8	GUS "A"	196	£10¼		P & O	925	560		Tarmac	1,000	223	+8½
Boots	3,300	284	-1	Guardian R.E.	427	177½	-1	Pilkington	631	264	+2	Tate & Lyle	40	822	+3
Brit. Airways	500	155	+1	GKN	1,000	317	+1	Plessey	555	154½	-1½	Tesco	963	141½	+½
Brit. Aerospace	2,100	492	+2	Guinness	1,600	317	+3	Prudential	2,200	153	-1	THORN EMI	846	625	+5
Brit. & Comm.	1,000	224	+4	Hammerson	7	635	+5	Racal	2,700	298	+2	Trafalgar House	430	309½	+1½
British Gas	4,600	175½	-1	Hanson	4,200	141½		Rank Org	1,100	659	+5	Trusthouse Forte	1,100	236	-1
British Land	707	316	+4	Harrisons & Cros	41	623		RMC	294	450	-1	Unigate	473	254	+2
BP	5,400	245½		Hawker Siddeley	471	514	+6½	RHM	803	372	-2	Unilever	916	445	
Brit. Telecom	4,900	231½	+1	Hillsdown Holdings	1,200	273	+4	Reckitt & Colman	338	892	-3	United Biscuits	1,700	269	-½
Burmah Oil	63	517½	+½	IMI	2,200	190		Redland	460	403½	+1½	United News	152	391	-1
Burton	3,300	192	-4	ICI	729	10¼	-⅛	Reed Intl	1,000	409	+4	Wellcome	364	489	
Cable & Wireless	775	376	+5	Inchcape	1,700	208½	+2½	Reuters "B"	290	475	-4	Whitbread "A"	221	276	-1
Cadbury Schweppes	946	353½	-½	Jaguar	1,200	246	+1	RTZ	1,300	414	-6	William Holdings	938	266	+2
Coats Viyella	1,100	214		Ladbroke	3,000	444	+9	Rolls-Royce	929	123½		Wimpey	1,100	245	+9
Commercial Union	960	339	+1½									Woolworth	645	240	

Bid battle looms at Ruberoid

THE BUILDING products group, Ruberoid, was at the centre of new speculation when a flurry of demand erupted above 254p, the level of Raine Industries' unwelcome cash offer. The latter was initially believed to be picking up further shares of Ruberoid at 254p, but hefty buying at 256p and upwards to 260p alerted the market to the possibility of a counter offer. The Ruberoid share price closed 8 higher at 260p in a volume of some 3.7m.

Talk immediately went round of another predator willing to take on the role of a white knight. The second theory was that Raine may have decided to increase its offer, although most dealers took a sceptical view on any such move. Much later in the day, Ruberoid announced it had received an approach from another party which may lead to a higher offer. At last Monday's count, Raine held approximately 17 per cent of the ordinary share capital of Ruberoid.

GEC speculation

GEC were among the best performers in the top-line electronics with the shares moving up a further 3 to 158p on turnover of 2.8m.

Dealers reported persistent support for the stock in front of the annual meeting scheduled for Friday, and re-iterated market stories that a major announcement could be forthcoming regarding the proposed buy-in of up to 14.9 per cent of the company's shares, perhaps via a tender offer to existing shareholders at a price of up to 170p.

In addition the stock was boosted by a "buy" recommendation from Flemings, the securities house. In its latest Electronics Digest, Flemings highlight the attractions of GEC "over British Telecom".

Flemings' say: "While there is not much doubt that BT's long term earnings per share prospects are better than those of GEC there are a series of factors favouring the latter short term". Among these, say Flemings, are dividend growth, likely corporate activity, dollar strength and rising interest rates. Although Flemings has a "buy" recommendation on BT they "expect significantly better performance from from GEC in the near term".

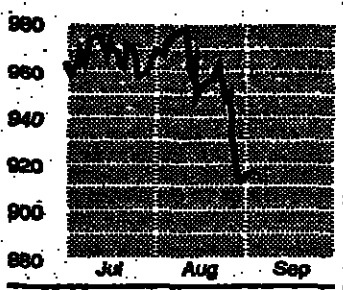
Glaxo booster

Further buying interest was shown in Glaxo which closed 7 higher at 977p, after 981p, for a two-day rise of 21. Volume at 1.3m shares was again relatively brisk, activity partly aroused by hopes about the potential for the group's migraine drug.

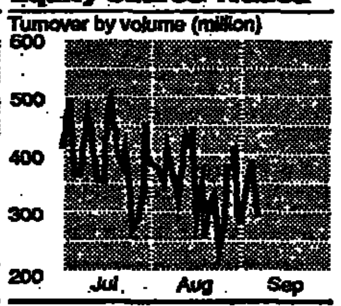
The drug currently known as GR43175 was the subject of a positive presentation to the Migraine Trust International Symposium earlier in the week. In a recent buy recommendation for Glaxo, Hoare Govett, the securities house, suggest that GR43175 has the potential to become a major pharmaceutical and could prove an important factor in enabling group earnings to sustain or even accelerale growth in the early 1990's.

Glaxo's share price has underperformed for a long while and analysts are now starting to point out the group's defensive merits. Fears about a slowdown in Zantac sales growth, one of the markets main reasons for concern, appear to have been cast aside for the moment. Hoare Govett believe that Glaxo's preliminary figures, due on September 19, are unlikely to disappoint.

FT-A All-Share Index



Equity Shares Traded



Barker setback

PR and advertising group Charles Barker dropped sharply in morning trading on confirmation that its bid talks with WPP have been terminated. Although a late rally helped to repair some of the damage, Barker closed 21 points down on 137p.

The failure of the negotiations - WPP were said to have offered 175p a share (valuing Barker at £43m) - is being put down to difficulties over the buy-back of Norman Broadbent International (NBI), Barker's executive recruitment arm. However, Barker is still known to be up for sale, and Mr Chris Akers, analyst at Citicorp Scrimgeour Vickers, believes either Saatchi & Saatchi, or PR group Shandwick, could be the next to declare an interest in Barker.

The Scrimgeour analyst thinks that Mr David Norman, chairman of Barker, would ideally like to agree a bid which allows him to retain the executive recruitment side of the business. Shandwick are likely bidders, says Mr Akers, because it is known to be looking to develop its PR activities, while the Saatchis are always looking for new acquisitions.

A presentation to analysts yesterday of BP Gold, 15 per cent of which is to be floated off, supported the current bullish stance on British Petroleum stock. Both the "old" and partly-paid shares traded heavily but were unable to make lasting headway after respective turnover of 5.4m and 6.0m shares. British Gas also changed hands freely (volume totalled 4.6m) at prices around the overnight level. Elsewhere the sector dragged its heels as crude prices continued to sag on reports of increased Gulf production.

Fund managers began showing interest in Guinness, which can reactivate its share buy-back programme as soon as the interim results are reported on Thursday week. This should provide valuable support in current market conditions, say County NatWest WoodMac, and volume increased noticeably to 1.6m shares yesterday compared with only 718,000 on Monday.

Kleinwort Grieveson also rates the stock a buy. Sector researcher, John Spicer, is looking for a near-£30m jump in first-half profits to £180m. This compares with the £151m achieved last time which will be restated to reflect year-end exchange rates. Guinness shares gained 3 to 317p.

Advice from the County NatWest WoodMac to switch from Whitbread, a loser from higher interest rates, to Bass helped the latter rise to 750p, after 755p. The research team there has tapered its 1989 forecast for Whitbread, reducing annual profits by £10m to £212m largely because of the increased cost of servicing £300m of floating rate debt. Whitbread "A" shares closed at 276p.

In a generally weak Stores sector, European Home Products - manufacturers of Singer sewing machines - shone with a rise of 7 to 321p after revealing interim profits of £12.49m. Mr Nick Bubb, senior stores analyst at Morgan Stanley, has marked EHP down as one of his top "1992 stocks", given its electrical retailing interests in Spain, Portugal and Italy. "EHP has a good hands-on management team with a lot of experience of operating in Europe," says Bubb.

A rush of late selling brought Burton down 4 to 192p after a large trade of 1m shares went through the system at 192p. BZW were said to have sold the stake on behalf of an institutional investor. Ward White remained a good market ahead of next week's figures, rising 5 to 260p. Some late buying of Woolworth on Monday evening spilled over into yesterday. Woolworth's interims are also due next week - Morgan Stanley is forecasting £35m for the stores group - and by the close the shares were 3 better at 240p.

Taylor Woodrow continued in the spotlight as further comment on P&O's 9.9 per cent stake in the group prompted fresh speculation about the possibility of an outright bid. Although not particularly active, (volume amounted to some 1.5m) demand found the market none too well supplied with stock and the Taylor Woodrow share price responded smartly with a gain of 37½ at 625p.

With the interim dividend season well underway, other Building issues recorded some good gains, but here too the amount of trade left much to be desired. Blue Circle, scheduled to reveal half-year results today, closed 8 to the good at 436p; analysts' forecasts range from £75m to £87m. Costain, 298p, and Wimpey, 245p, also on today's list, rose 7 and 9 respectively. Bumper interim figures left Wilson Connolly 10 to the good at 170p.

Composite insurances went with the market, as Sun Alliance improved 3 to 945p in good volume of 703,000 ahead of today's interim figures. Analysts at BZW are predicting £166m for the half-year, compared to £104.4m at the same stage in 1987.

Insurance brokers were also quietly traded. Sedgwick closed unchanged on 234p after reporting a 25 per cent drop in half-year profits to £61.9m. The figures were at the top end of market expectations, but one analyst regards Sedgwick as weak on fundamentals in the short and medium-term, if quite attractive in the long run.

Banks moved in line with the market, with Bank of Scotland the highlight moving up 8 to 352p as dealers went in search of the little stock available. Standard Chartered rose 8 to 493p in the morning before some late profit-taking pegged the shares back to 488p, only 3 up on the day. Morgan Grenfell remained nervous ahead of tomorrow's figures, closing 6 down on 282p as bears wiped out early gains. Cannon Street Investments suffered a sharp reaction of 27 to 279p as the market digested news of three acquisitions to be funded by a rights issue of around £42.3m net. Part of the cash will be used on the Cameron House Leisure project, while the issue will also provide funds to meet the cost of further acquisitions currently under discussion.

T&N came to life with a gain of 7½ to 181p as County NatWest WoodMac (CNWM) recommended purchases. CNWM says that T&N is moving ahead in leaps and bounds. It is reducing costs, rationalising and restructuring its business and improving margins. The asbestos issue it suggests has been exaggerated and prevented these changes from being reflected in the share price. T&N is scheduled to reveal interim figures today and CNWM is looking for pretax profits of around £45m compared with £36.3m.

Hillsdown were a strong market among quiet Food stocks as dealers anticipate good interim figures today. Most forecasts range around the £60m-mark, and by the close Hillsdown were 4 to the good at 273p. Booker gained a penny to 377p after reporting interim profits of £29.1m - in line with most market predictions - while in the hotels Ladbroke hardened 9 to 444p on volume of 3.6m shares after a presentation with Warburgs.

Television shares found increased support ahead of Tyne Tees half-year results. These are due on Thursday and mark the the opening of the season for the sector. Tyne Tees shares, a resolute performer for several weeks, gained 3 more to 312p while LWT rose 4 to 145p and Scottish 6 to 359p.

Leisures also returned to favour, particularly the stocks pounded heavily over past few weeks. Brent Walker bounced 13 to 370p with the market hoping for chief executive, Mr George Walker, to counter recent adverse press reports when the annual results are unveiled on Friday week. Warburg Securities estimates sharply increased profits of £38.5m.

LandLeisure recovered further, closing 8 higher at 356p, while Capital Radio adavnced 14 to 324p. Reflecting success of the rights issue, which received a 91.5 per cent acceptance, Pleasurama moved up 2 to 204p.

Lucas Industries continued to lead the way in the Motor sections, rallying to 532p, but Western Motor was not far behind and added 13 more at 601p, extending the rise over the past three sessions to 57.

The opening of the Harrogate annual Carpet Fair coincided with a surge in the share price of Hugh MacKay which ended 15 higher at 320p. Other carpet manufacturers were less fortunate, however, and most closed a shade easier.

Dealers reported an average day's business in the Traded Options market. Total contracts amounted to 28,105. British Petroleum were briskly traded with 2,641 calls unmatched, while GEC were also outstanding, with 2,292 calls and 617 puts.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 38

NEW HIGHS AND LOWS FOR 1988

NEW HIGHS (22).
BRITISH FUNDS (1) Conv.3½pc '61 Aft., BREWERS (1) Fuller S.T.A, BUILDINGS (2) Newarthill, Wolstenholme Rink, CHEMICALS (1) Rechem Envmtl. Servs., ELECTRICALS (2) Acal, Ericsson (L.M.), Pifco, Do."A", ENGINEERING (1) Newage Trans., FOODS (1) American Dist., INDUSTRIALS (4) Armour-Tst., Benlox, Creighton Labs., Handley-Walker, INSURANCE (1) Trade Indemnity, LEISURE (2) Capital Radio, P'Dilly Radio NV, MOTORS (1) Jacks (Wm.), NEWSPAPERS (1) Haynes Publishing, PROPERTY (1) Caird Grp., TRUSTS (1) Mezzanine C & I Tst.

NEW LOWS (58).
BRITISH FUNDS (2) Funding 6% 1993, Treas.2IL 1994, CHEMICALS (1) Suscitte Speakman, STORES (4) Mallet, Summer Intl., Vivat, Wickes, INDUSTRIALS (6) Alexander (W), Copymore, Kleen-E-Ze, PCT Grp., Pacer System, INSURANCE (1) NZI Opn., NEWSPAPERS (3) Accord Publishing, Collins (WM.), Do. "A", PAPERS (2) Monotype, Saatchi, PROPERTY (2) Connells Est. Agts., Eng.& O'seas Prop., TRUSTS (2) Autofagasta, Authy Inv., MINES (16) Anglo Amer., Ang. Am. Gold, Anglesey Mining, Blyvoor, Buffels, Cons.Mod'fan, Doornfontein, Ennex Int., F.S. Cons.Gold, Gold Fields S.A., Harmony, St. Helena, Stilfontein, Unisel, Vaal Reefs, Welkom Gold.

APPOINTMENTS

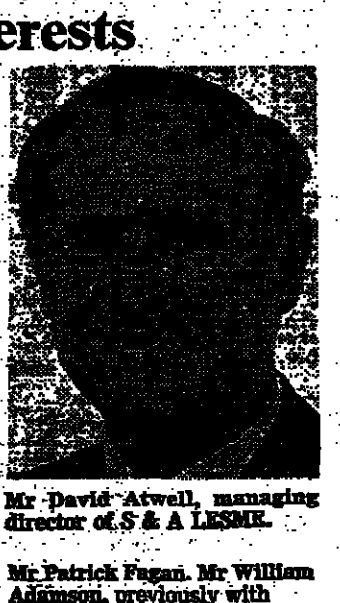
Reorganisation of RHM chocolate interests

■ RANKS HOVIS McDOUGALL has made senior appointments in its newly-merged bulk chocolate interests, S & A LESME. Mr David Atwell is managing director and Mr Colin Watts deputy managing director of the combined operation.

Mr Atwell will be responsible for RHM's centralised bulk chocolate manufacturing business, which integrates the operations of Stewart & Arnold Caxton, RHM's original chocolate business, with LESME, a subsidiary of RHM-acquired Avana Group. He was formerly managing director of LESME and a director of Avana.

Mr Watts, who has been responsible for the combined technical and sales resource of RHM's bulk chocolate interest since 1988, was managing director of Stewart & Arnold Caxton. He will remain responsible for the management of this company's sites at Wood Green in North London and High Wycombe, through to full integration of manufacturing operations at Banbury, where the S & A LESME chocolate factory is located.

■ FELTRIM UNDERWRITING AGENCIES has appointed Mr Robert Gofton-Salmond underwriter of Lloyd's non-marine Syndicate 847, previously underwritten by Mr Patrick Fagan. Mr William Adamson, previously with Factory Mutual International, is appointed deputy underwriter. Mr Nicolas Malim, previously with Highlands Insurance Co (UK), has been made deputy underwriter of Lloyd's marine Syndicate 540 and Lloyd's non-marine Syndicate 542, of which Mr Fagan is the underwriter.



Mr David Atwell, managing director of S & A LESME.

■ ROYAL TRUST ASSET MANAGEMENT has appointed Mr Mike Gordon to the main board. He was group marketing director of NEL Britannia and managing director of its UK unit linked subsidiary.

■ Mr John Robins has been appointed as director of finance and administration at the BRITISH INSTITUTE OF MANAGEMENT. He was an executive with Marks & Spencer.

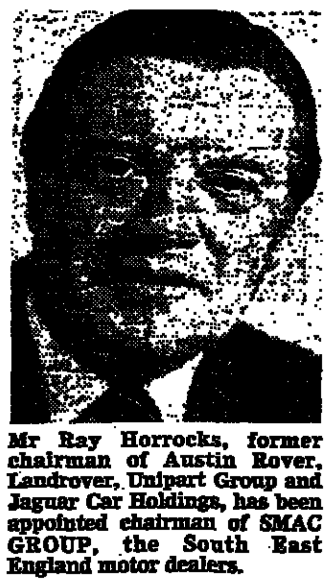
■ CARROLL AIRCRAFT CORPORATION has appointed Mr Joe O'Neill as managing director, and Mr Leonard Rayment as deputy managing director and finance director.

■ MOSS, MILLS & PARTNERS, underwriting agents at Lloyd's, has appointed Mr James M. Fetherston as an associate partner.

■ The MILLER GROUP has appointed Mr Joe M. Barber to the board as a non-executive director. He was chief executive of F.J.C. Lilley and prior to that a director of Christian Salvesen. It is the first time that a non-executive, non-family director has joined the board.

■ HAGGLOF & PONSBACH GOTA SECURITIES, a member of the Gota Group, has appointed Mr David Ramage as head of equity trading and sales. He was head of the securities department at Union Bank of Finland, London branch.

■ Ms Sheila McLaughlin has been appointed a director of WARDLEY UNIT TRUST MANAGERS. Wardley is the UK fund management arm of the HongKong and Shanghai Banking Corporation.



Mr Ray Horrocks, former chairman of Austin Rover, Landrover, Unipart Group and Jaguar Car Holdings, has been appointed chairman of SMAC GROUP, the South East England motor dealers.

■ S.JENKINS & SON has appointed Mr Paul Heath, Mr John Findlater, Mr Jeremy Rolls, Mr Bill Lowe and Mr James Bunce as directors.

■ AUSTRALIA AND NEW ZEALAND BANKING GROUP has appointed Mr Denis Arstrong as general manager (financial institutions and correspondent banking) to succeed Mr Morgan Polton who retires on September 30.

Consumers push for early end to cocoa row

By David Blackwell

COCOA CONSUMING countries are pushing for early progress on two key issues at the crucial council meeting of the International Cocoa Organisation (ICCO) now in progress in London.

Mr Peter Baron, the consumer delegates' spokesman, yesterday said that a row over the organisation's price defence mechanism and the question of arrears on levies needed "satisfying solutions" before anything further was tackled.

The troubled cocoa organisation has traditionally left its major problems to the very last minute. The current talks started on Monday and run for a fortnight.

The row between producers and consumers over the prices which the organisation is aiming to defend started last March and remains unresolved, although it appears any resolution would be academic.

Last week a special panel of five decided by a majority of one that the prices to be defended should have been reduced automatically last March by 115 Special Drawing Rights (SDRs) to 1,370 SDRs a tonne. Since March prices have weakened considerably, and last night the ICCO indicator price stood at 1,048.33 SDRs a tonne.

Consumers are also proposing that the levy of $30 a tonne imposed on exports by members and imports from non-members should be suspended from October 1. By then arrears will total $70m – the Ivory Coast alone owes about $50m. Consumers are angry that they are continuing to pay levies on imports from non-ICCO members – particularly from Malaysia, the world's third biggest producer – while most big ICCO producers have stopped paying their levies on exports.

A suspension would create problems for the organisation's buffer stock manager, who could have to sell some of his 250,000 tonne stock to finance maintenance of the rest, further adding to the glut of cocoa on world markets.

However keen consumers are to sort out the pressing problems early in the talks, producing countries are not going to be rushed. Mr Mamah Mohammed, their spokesman, said yesterday that discussion on both key issues remained wide open.

"We always want to get key issues out of the way early, but we never succeed," he said. "These issues are tied up with all sorts of other things. All we have had so far is preliminary discussions."

Meanwhile the markets are keenly watching the talks for signs of movement. Last night the second position cocoa futures contract on London Fox closed at £1 down at £821 a tonne.

Chicago grain market looks to Moscow

By Deborah Hargreaves in Chicago

CHICAGO GRAIN traders sent wheat futures prices higher yesterday as they looked to the Soviet Union to boost its purchases of US wheat.

Prospective Soviet buying has replaced the weather as the main market mover over the past week, with traders expecting Moscow to step into the futures market as soon as it concludes a new grain trade accord with Washington. The current pact, which is due to run out on September 30, allocates 9m tonnes of grain for Soviet purchases at set prices.

Monday's accident at a Lithuanian nuclear power plant further convinced traders that the Soviets will be big grain buyers in coming weeks, although Tass, the Soviet news agency, said no radiation had leaked from the plant.

Speculation about wheat buying has also fuelled a rise in maize futures prices. The trade pact includes provisions for maize and soyabean purchases and some futures traders believe the Soviet Union is poised to make a major foray into the maize market.

Although the drought has lost its obsessional grip on Chicago's commodities traders as the weather has turned cooler and rainier across the Midwest, its effects are still being felt. Some early harvests of Midwest soyabeans have turned up poorer quality beans, which have shrunk in size because of the lack of water.

Indeed, some beans have already been rejected by Illinois grain elevators because of their small size and low oil content. This has led traders to fear that the soyabean harvest will be even smaller than the 1.47bn bushels already estimated.

Brokers disagree on sugar deficit

By David Blackwell

THE WORLD sugar deficit for 1988-89 has been estimated at 590,000 tonnes by London trader E.D. & F. Man in its latest monthly report. This compares with a deficit of 1.8m tonnes predicted by C. Czarnikow, another London broker, last month.

While the two firms agree that total world production will be about 107.1m tonnes, they disagree on consumption, which Czarnikow reckons will grow faster.

However, Man points out that a 590,000-tonne deficit, equivalent to just over half a per cent of the total estimated production, "will inevitably be subject to sharp fluctuations.

"These fluctuations, in a market lacking sufficient stocks to provide a comfortable cushion, are the precursors of a sharply erratic market," says the report.

Countries with what it calls "more precarious production potential" will have a big influence on prices.

"A very good Soviet crop could alone turn the deficit into a surplus, whilst similarly a worse crop in China than that estimated would double the forecast deficit", according to the report.

WEEKLY METALS

All prices as supplied by Metal Bulletin (last week's prices in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 2,175-2,225 (2,100-2,160).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 5.85-5.95 (5.80-5.95).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, ingots 7.10-7.35 (7.30-7.50), sticks 7.10-7.35 (7.30-7.50).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 6.95-7.20 (6.90-7.10).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 310-325 (310-320).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 3.45-3.50 (same).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 9.60-9.70

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO, cif, 51-60 (51-59).

VANADIUM: European free market, min. 98 per cent, VO, cif, 5.40-6.00 (5.10-5.60).

URANIUM: Nuexco exchange value, $ per lb, UO, 14.75 (same).

Oil slides as analysts ponder Opec politics

Steven Butler assesses the problems posed by rising production surpluses

OIL PRICES yesterday slid to their lowest levels since November 1986. October futures for West Texas Intermediate crude were off 47 cents at $14.32 in midday trading at the New York Mercantile Exchange, which was closed on Monday. September Brent crudes closed 42.5 cents down at $13.425.

Prices approached these levels twice before this year, in March and July, only to rebound in advance of meetings called by the Organisation of Petroleum Exporting Countries.

This time, however, few analysts can see why prices should move up strongly in the near term.

"I'm quite surprised the oil price is so high, not so low," said one analyst yesterday. "Fundamentals say it should collapse."

The fundamentals are a steady increase in Opec production to nearly 20m barrels a day, high stock levels, and no great spurt in demand.

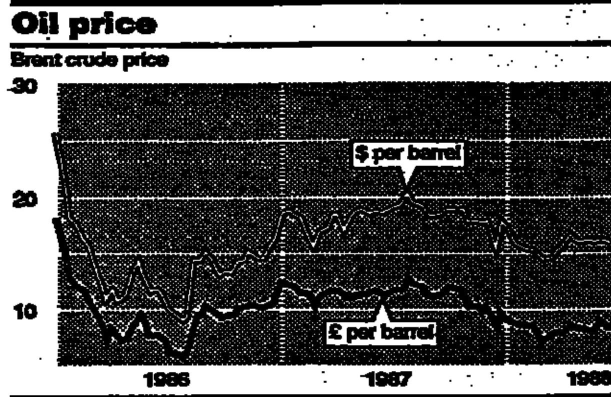
The bearish view is echoed by Mr Joseph Stanislaw, of Cambridge Energy Research Associates. "Traders have been looking at the market with blinders on," he says, following the toing-and-froing of Opec politics and overlooking the surplus of oil on the market.

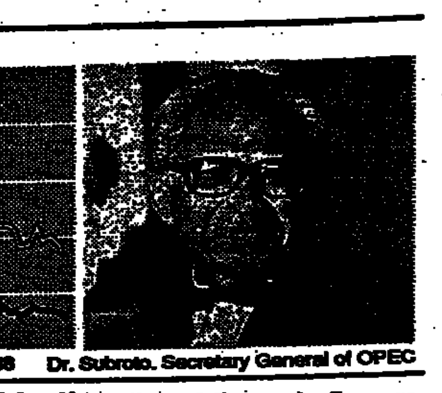
Even so, while many analysts expect prices to fall in the near term, possibly by several dollars a barrel, most believe that a free fall in prices is unlikely and that a recovery is on the cards before the end of the year, although not a recovery that has much staying power.

The latest fall in prices follows reports of increased production in the Gulf and the failure of Dr Subroto, the Opec secretary general, to make any apparent progress on his recent Middle East visit toward patching up differences among members of the oil cartel.

Oil price

Brent crude price





Dr. Subroto. Secretary General of OPEC

THE INTERNATIONAL Energy Agency yesterday reported that oil supplies outside the communist world in August touched high for the year, at 50m barrels a day.

Most of the increase was accounted for by Opec production, which the Paris-based agency put at 19m b/d. The figure is lower than most other estimates, although the IEA said that its figures were compiled in the third week in August and would be higher if made today.

The IEA also said that some Opec production was entering tanker storage and may not reach the market immediately. Neither Iran nor Iraq increased production significantly.

Saudi production reached 4.4m b/d, while Kuwait output rose to 1.3m b/d.

Stocks of oil in the Organisation of Economic Co-operation and Development countries reached a four year high, at 451m tonnes, on July 1. That equalled 99 days of forward consumption, one day more than a year earlier.

Oil consumption in the OECD is projected to grow by 2 per cent this year and continue at the same pace in the first half of 1989, assuming a slowdown in economic growth from 3 per cent to 2.5 per cent.

But analysts are wary of ignoring Opec's potential for turning on its heels and most believe that it is premature also to write off Dr Subroto's efforts, despite his failure to draw concessions on any major issues facing the cartel.

"What we are seeing is the beginning of deal-making for the November meeting," said Mr Stanislaw. "Everyone has their own agenda."

According to this view, which is widely shared, the scheduled November 21 meeting of the 13 Opec oil ministers is the event that all Opec members are preparing for, trying to put themselves in a position of political advantage to get the best possible deal at the meeting.

If this is true, there was little possibility that Dr Subroto would have been able to score a breakthrough when he visited Kuwait, Iran and Iraq last week.

By the same token, many analysts are suspicious that the sudden increase in oil production by Kuwait, Saudi Arabia, and particularly the United Arab Emirates may have been politically timed.

"I wonder if they are not just trying to teach the Iranians and the Iraqis a lesson before they have the chance to increase production," said Mr Stephen Turner, of Smith New Court, the London stock brokers.

The idea is the Gulf Arab producers want to put a bit of fear into Iran and Iraq to demonstrate how all can be hurt by low oil prices. Usually, it is only the hurt caused by low prices that has forced Opec members to accept painful compromises.

For two years, Opec's biggest outstanding difficulty has been Iraq's refusal to accept a quota less than that of Iran's, at 2.369m barrels a day (b/d). Now that a ceasefire is in place many fear that if Iraq remains outside the quota system, it could push production up to 4m b/d within a year, compared with current output of 2.7m b/d.

Prior to Dr Subroto's visit last week to the Middle East, the stage appeared to have been set for a resolution of this impasse.

Venezuela had backed off from its firm stance against allowing any big increase in the Iraqi quota, which would have been difficult to sell domestically without a proportionate increase in Venezuela's production.

In return for this compromise, Venezuela wanted two things, for the UAE to adhere to its quota, and for Kuwait and other Arab producers to back down on the argument over condensates, the liquids that condense during the production of natural gas.

Kuwait has accused Venezuela of classifying some crudes as condensates and thus evading the Opec quota. The Venezuelan position contained the germs of a broader series of compromises that could have resolved many of Opec's difficulties.

In the end, of course, Dr Subroto appeared to have struck out on all counts.

Iran proudly rejected any proposals that Iraq might be granted a production quota equal to its own. Kuwait scoffed at suggestions that the definition of what constituted crude oil might be dropped from the agenda. And, of course, the UAE has merrily lifted its own production to about 1.7m b/d

The basis for a compromise thus appears to have evaporated . . . or has it?

"The price pressures are just about what they were in 1986, and that might be enough to concentrate minds," says Mr Geoff Pyne of Phillips & Drew.

Should prices continue to fall, the pressure will increase, and some Opec members may well believe that a few months of unacceptably low prices is not too high a price to pay for a better agreement in November.

This imputation of strategy on the part of Opec members is, of course, speculation, and the November meeting could well come and go with little progress, if only because mar-

Timor resources deal agreed

By John Murray Brown in Jakarta

INDONESIA AND Australia have made a major breakthrough in boundary talks over the oil-rich Timor Gap, the sea area lying between Timor Island and the Northern Territory. Under a plan which has still to be formally ratified, the two countries have agreed to a proposal jointly to develop the mineral resources in the disputed area.

The plan ratified includes a 50:50 split on future revenues from the basin, which is believed to be one of the richest in the region.

Officials yesterday described the accord as an "interim measure which should not prejudice" the continuing negotiations to find a permanent legal settlement of the boundary dispute.

The breakthrough follows concerted lobbying by Australian oil companies, many of which have individual or overlapping interests in the disputed zone. They including Woodside Petroleum, Pelsart Oil, Oil and Minerals Quest, Otter Exploration and Australian Aquitaine. All permits have been frozen pending completion of the sea-bed talks.

This week's agreement also includes a proposal, first put forward in February, whereby Indonesia will receive a proportion of Australian tax revenues from a second area outside the disputed zone. Australia would seek reciprocal claims on an adjacent Indonesian field.

The 250 km Timor Gap forms the missing section of a maritime boundary agreed by both countries in 1972. Australia wants the new boundary to follow its continental shelf, in line with the 1958 Geneva convention. Indonesia insists a median line be drawn between Timor island and Australia's north west coast, in accordance with the new UN law of the Sea. For Australia this would mean the loss of the so-called Kelp area, a huge dome-shaped Jurassic rock structure in the Gap where reserves are estimated as much as 5bn barrels, making it one of the world's two dozen biggest oil fields.

The Australian company Broken Hill Proprietary BHP is currently producing around 35,000 barrels a day at the Jabiru field, 200km south of the disputed zone.

Venezuela plans to lift crude output potential

By Joe Mann in Caracas

VENEZUELA'S NATIONAL oil company, Petroleos de Venezuela, plans to raise its crude oil production potential from the current level of 2.57m barrels a day to 3m b/d by 1991 and to maintain it at that level throughout the 1990s.

An oil company's production potential determines how much crude it can actually pump at a given moment.

A high level of potential provides greater flexibility in times of sharp changes in international supply and demand. Higher potential will give Venezuela a more important role as a world oil supplier.

PDV, Venezuela's largest company by far, plans to invest $12.4bn in oil, petrochemical and coal projects between now and 1993.

Of this, about $5.5bn will be spent on production, a category that includes sustaining current oil output potential and building extra potential for future use.

Of the total projected potential of 3m b/d, 2.3m b/d would be light and medium crudes, with 700,000 b/d in heavy crudes.

PDV's actual output last year included an average of 1.53m b/d of crude oil, comprising 535,000 b/d of light oils, 589,000 b/d of medium oils and 410,000 b/d of heavy and extra-heavy crude.

WORLD COMMODITIES PRICES

LONDON MARKETS

COFFEE PRICES advanced yesterday as concern grew about a dry spell in Brazil. Damage to the crop is not yet likely to be severe and one torrential downpour could send the market tumbling, dealers said. But until the weather breaks operators would remain nervous about holding short positions. The market is also watching the meeting of "other mild" producers in Ecuador in the run-up to the International Coffee Organisation talks due to start on September 19. Yesterday dealers said a US proposal, backed by the "other mild" countries, calling for a special export quota of 2m bags for mild coffees was a non-starter as Brazil and Colombia would reject it. On the bullion market silver rose to 655 cents an ounce amid nervousness over the threat of another miners' strike in Peru.

SPOT MARKETS

Crude oil (per barrel FOB September)		+ or -
Dubai	$11.90-2.00q	-0.325
Brent Blend	$13.35-3.50y	-0.425
W.T.I. (1 pm est)	$14.35-4.40q	

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$175-176	-1.5
Gas Oil	$125-128	-0.5
Heavy Fuel Oil	$64-65	-2
Naphtha	$129-131	-1
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♣	$428.25	+0.50
Silver (per troy oz)♣	655c	+5
Platinum (per troy oz)	$527.75	+5.60
Palladium (per troy oz)	$122.50	+0.50
Aluminium (free market)	$2595	+35
Copper (US Producer)	109⅝-10¾c	
Lead (US Producer)	36c	
Nickel (free market)	610c	
Tin (European free market)	£4440	-65
Tin (Kuala Lumpur market)	20.05r	-0.05
Tin (New York)	351.25c	+0.25
Zinc (Euro. Prod. Price)	$1312.50	
Zinc (US Prime Western)	65⅝c	
Cattle (live weight)†	112.93p	-0.73*
Sheep (dead weight)†	164.23p	+2.71*
Pigs (live weight)†	68.86p	+0.71*
London daily sugar (raw)	$274.4s	+0.4
London daily sugar (white)	$273.0s	+0.5
Tate and Lyle export price	£271.0	-1.5
Barley (English feed)	£110v	
Maize (US No. 3 yellow)	£127v	
Wheat (US Dark Northern)	£121.5	-0.5
Rubber (spot)♥	69.25p	-2.00
Rubber (Oct)♥	74.75p	-2.00
Rubber (Nov)♥	75.25p	-2.00
Rubber (KL RSS No 1 Oct)	326.0m	-2.5
Coconut oil (Philippines)§	$575w	
Palm Oil (Malaysian)§	$435s	-5
Copra (Philippines)§	$365	
Soyabeans (US)	$211	-1
Cotton "A" index	56.65c	+0.10
Wooltops (64s Super)	627p	-

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Sep. q-Oct. x-Aug/Sep. s-Sep/Oct. w-Oct/Nov. v-Oct/Dec. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low	
Sep	872	875	872	860
Dec	821	822	822	810
Mar	802	804	802	790
May	806	808	805	798
Jul	813	817	816	805
Sep	825	830	830	823
Dec	865	868	872	860

Turnover: 3330 (1831) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Sep 2: 1004.04 (996.07) :10 day average for Sep 5: 1048.33 (1056.98) .

COFFEE £/tonne

	Close	Previous	High/Low	
Sep	1043	1025	1042	1020
Nov	1043	1035	1048	1030
Jan	1032	1029	1035	1020
Mar	1010	1010	1014	1005
May	1007	1010	1010	1000
Jly	1005	1015	1009	1000
Sep	1010	1015	1015	

Turnover: 3019 (991) lots of 5 tonnes
ICCO indicator prices (US cents per pound) for Sep 2: Comp. daily 108.67 (109.03); . 15 day average 109.05 (108.85).

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low	
Oct	238.40	244.60	244.80	238.40
Dec	242.60	250.00		
Mar	236.00	242.60	242.60	236.00
May	229.60	236.60	236.00	229.00
Aug	226.00	235.60	234.00	
Oct	223.60		229.40	228.00

White	Close	Previous	High/Low	
Oct	262.50	266.00	266.00	262.00
Dec	258.50	260.50	260.00	
Mar	259.50	264.00	263.40	260.00
May	261.00	265.00	264.00	263.50
Aug	261.00	265.00	264.00	
Oct	259.50		258.50	

Turnover: Raw 2589 (267) lots of 50 tonnes. White 942 (140) .
Paris- White (FFr per tonne): Oct 1680, Dec 1640, Mar 1645, May 1645, Aug 1645 Oct 1655

GAS OIL $/tonne

	Close	Previous	High/Low	
Sep	123.00	125.25	124.50	122.50
Oct	124.75	127.00	126.50	124.50
Nov	126.75	129.25	128.50	126.50
Dec	128.50	131.25	130.00	127.75
Jan	128.00	130.00	128.75	127.50
Feb	127.00	127.50	127.50	126.25
Mar	124.00		125.50	124.00
Apr	122.75		123.50	122.75

Turnover 8394 (5557) lots of 100 tonnes

GRAINS £/tonne

Wheat	Close	Previous	High/Low	
Sep	108.50	108.40	108.75	108.50
Nov	110.70	110.40	110.95	110.70
Jan	113.55	113.20	113.75	113.55
Mar	115.80	115.50	116.00	115.80
May	118.65	118.30	118.80	118.65
Jun	120.05	119.85	120.20	120.05

Barley	Close	Previous	High/Low	
Sep	102.25	102.00	102.25	
Nov	105.25	105.50	105.60	105.25
Jan	108.20	108.30	108.35	108.20
Mar	110.40	110.45	110.50	110.45
May	112.25	112.50	112.25	

Turnover: Wheat 285 (250) , Barley 71 (59)
Turnover lots of 100 tonnes.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 100 tonne
Cash	2565-85	2530-50		2590-600		
3 months	2550-70	2480-500		2560-5	2550-70	9,458 lots
Aluminium, 99.5% purity (£ per tonne)						Ring turnover 47,650 tonne
Cash	1500-5	1498-500	1505	1500-05		
3 months	1446-7	1436-40	1470/1435	1447-8	1445-6	42,525 lots
Copper, Grade A (£ per tonne)						Ring turnover 28,650 tonne
Cash	1386-7	1372-7	1382/1375	1379-80		
3 months	1352-2.5	1340-5	1354/1342	1346-7	1352-3	62,833 lots
Copper, Standard (£ per tonne)						Ring turnover 0 tonne
Cash	1310-20	1316-25		1305-15		
3 months	1310-20	1315-25		1305-15		39 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	653-6	645-8		649-52		
3 months	667-70	659-62		663-7		497 lots
Lead (£ per tonne)						Ring turnover 9,275 tonne
Cash	361-2	360-1	362/361	361.5-2		
3 months	367-7.5	366-7	367.5/368	367-8	367-8	10,998 lots
Nickel ($ per tonne)						Ring turnover 918 tonne
Cash	13200-300	13180-200	13300/13150	13180-200		
3 months	12890-900	12750-800	12900/12742	12800-50	12850-900	6,044 lots
Zinc ($ per tonne)						Ring turnover 8,800 tonne
Cash	1350-5	1345-50	1356/1354	1353-4		
3 months	1330-1	1325-30	1345/1330	1333-5	1332-5	21,664 lots

POTATOES £/tonne

	Close	Previous	High/Low	
Nov	63.0	65.0	63.0	
Feb	73.5	75.5	74.0	73.0
Apr	95.9	96.2	96.5	95.5
May	105.8	105.9	105.5	

Turnover 137 (312) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low	
Oct	175.40	173.50	175.40	173.50
Dec	184.00	183.50	184.50	182.50
Feb	189.00	188.00	189.00	
Apr	189.00		189.00	
Jun	178.00		178.00	

Turnover 121 (59) lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low	
Sep	1368	1370	1373	1368
Oct	1500	1503	1510	1498
Jan	1530	1535	1540	1530
Apr	1564	1566	1570	1564
Jul	1396	1394	1398	
BFI	1279	1278		

Turnover 110 (61)

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	428-428½	251¾-252¼
Opening	428¼-427¾	252-252½
Morning fix	427.85	252.004
Afternoon fix	428.45	251.630
Day's high	428¾-429¾	
Day's low	428¼-427¼	
Coins	**$ price**	**£ equivalent**
Mapleleaf	440-445	258½-262
Britannia	440-445	258½-262
US Eagle	440-445	258½-262
Angel	439-444	258-261
Krugerrand	427-430	251-253
New Sov.	100¾-101¾	59¼-60
Old Sov.	100¾-102¼	59¼-60¼
Noble Plat	538.7-545.5	316.9-320.9
Silver fix	**p/fine oz**	**US cts equiv**
Spot	384.15	653.75
3 months	395.60	667.45
6 months	407.10	682.20
12 months	430.50	712.75

COTTON
Liverpool- Spot and shipment sales for the week ended September 2 amounted to 787 tonnes against 373 tonnes in the previous week. Trading was high with dealings occuring in Soviet, west African, American, Pakistan and Israeli growths.

JUTE
September/October c and f Dundee BTC $465, BWC $475, BTD $420, BWD $415. c and f Antwerp BTC $455, BWC $445, BWD $395, BTD $405.

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Sept	Nov	Sept	Nov
2450		203		70
2600		122		138
2750		67		229
Copper (Grade A)	**Calls**		**Puts**	
2200		165		61
2300		110		104
2400		70		162

US MARKETS

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Sep	426.7	429.3	0	0
Oct	429.2	431.8	432.4	429.0
Nov	432.0	434.6	0	0
Dec	434.8	437.4	437.9	434.5
Feb	440.7	443.4	443.2	440.7
Apr	446.5	449.2	448.5	446.4
Jun	452.3	455.0	452.5	452.5
Aug	458.4	461.1	0	0
Oct	464.5	467.2	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	524.1	523.5	529.0	523.0
Jan	528.5	528.6	533.6	528.0
Apr	534.1	534.5	537.0	534.3
Jul	540.6	541.2	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Sep	648.5	651.8	659.0	647.0
Oct	653.2	656.7	0	0
Nov	657.9	661.4	0	0
Dec	662.5	666.6	674.0	662.0
Jan	667.6	671.1	0	0
Mar	677.9	681.3	689.0	676.0
May	688.6	692.1	0	0
Jul	698.5	703.1	708.0	700.0
Sep	710.4	714.1	710.0	710.0
Dec	727.2	731.0	732.0	728.0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	102.20	101.50	102.80	101.10
Oct	101.40	100.50	0	0
Nov	100.30	99.50	0	0
Dec	99.20	98.50	99.80	97.25
Jan	97.30	96.80	0	0
Mar	93.50	93.50	94.30	92.90
May	90.80	91.00	91.75	91.00
Jul	88.90	89.10	89.75	89.20
Sep	87.10	87.50	0	0
Dec	85.10	85.50	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Oct	14.34	14.79	14.62	14.30
Nov	14.38	14.80	14.65	14.34
Dec	14.44	14.82	14.57	14.42
Jan	14.50	14.85	14.71	14.49
Feb	14.58	14.88	14.72	14.57
Mar	14.62	14.91	14.78	14.60
Apr	14.73	14.94	14.80	14.72
Jun	14.85	15.00	14.94	14.78
Jul	14.90	15.03	15.12	14.86

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Oct	4205	4288	4248	4190
Nov	4270	4358	4315	4265
Dec	4345	4426	4380	4330
Jan	4385	4461	4420	4370
Feb	4355	4429	4380	4340
Mar	4215	4279	4245	4210
Apr	4110	4154	4110	4100
May	4040	4069	4040	4000
Jun	3973	4019	4000	3970
Jul	4000	4014	4020	4000

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Sep	1198	1202	1190	1190
Dec	1227	1247	1270	1221
Mar	1212	1246	1266	1210
May	1222	1250	1268	1220
Jul	1246	1269	1283	1241
Sep	1268	1293	1305	1290
Dec	1308	1333	1340	1335

COFFEE "C" 37,500lbs; cents/lbs.

	Close	Previous	High/Low	
Sep	126.18	122.37	128.50	123.00
Dec	127.21	123.17	127.25	124.25
Mar	125.00	121.25	125.50	122.40
May	124.25	120.70	124.50	122.00
Jul	124.60	120.60	124.50	121.45
Sep	124.50	119.36	124.50	122.00
Dec	121.58	118.63	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	10.38	10.54	10.64	10.31
Jan	10.02	10.21	10.02	10.02
Mar	10.45	10.62	10.67	10.34
May	10.16	10.29	10.34	10.09
Jul	9.96	10.08	10.20	9.96
Oct	9.93	10.00	10.00	9.85
Jan	9.26	9.33	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	53.83	53.61	54.00	53.95
Dec	52.95	52.43	53.33	52.50
Mar	52.87	52.40	53.20	52.35
May	52.95	52.63	53.58	52.40
Jul	53.04	52.96	53.40	52.90
Dec	54.30	54.12	54.50	54.30

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	193.35	193.90	194.10	193.10
Nov	184.35	185.10	185.30	184.20
Jan	172.60	173.70	173.80	172.60
Mar	170.00	170.85	170.40	170.00
May	169.10	169.80	169.50	169.45
Jul	168.10	168.80	0	0
Sep	167.10	167.80	0	0
Nov	167.10	167.80	0	0
Jan	167.10	167.80	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Sept 2	Sept 1	mnth ago	yr ago
1918.3	1907.0	1872.3	1642.4

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	132.26	132.28	131.69	127.84
Futures	136.71	136.49	135.19	130.78

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Sep	886/0	873/0	889/0	876/0
Nov	900/4	886/0	903/0	886/0
Jan	909/4	894/4	911/4	897/4
Mar	913/0	897/4	915/4	901/0
May	900/6	885/0	904/0	890/0
Jul	890/2	873/0	893/0	879/0
Aug	863/0	854/4	869/0	863/0
Sep	796/0	775/4	797/0	787/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Sep	27.00	27.17	27.45	26.95
Oct	27.18	27.37	27.70	27.17
Dec	27.68	27.87	28.25	27.67
Jan	27.95	28.15	28.50	27.94
Mar	28.30	28.45	28.85	28.30
May	28.50	28.60	29.00	28.40
Jul	28.28	28.35	28.95	28.28
Aug	27.80	27.90	27.80	27.80

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Sep	277.5	270.7	277.5	272.1
Oct	276.7	269.7	277.0	271.6
Dec	277.1	268.7	277.5	270.6
Jan	274.7	265.5	275.0	269.0
Mar	270.7	261.7	271.0	264.5
May	264.5	258.6	265.0	257.0
Jul	259.5	253.0	260.0	254.0
Aug	251.0	245.0	253.0	251.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Sep	293/4	290/4	294/4	289/4
Dec	304/4	301/0	306/0	299/4
Mar	309/2	305/2	310/6	303/4
May	311/0	306/6	312/4	305/4
Jul	308/2	303/2	309/4	302/4
Sep	288/6	282/0	287/4	282/0
Dec	272/4	270/6	274/4	268/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Sep	409/4	401/0	414/0	402/0
Dec	425/2	416/4	430/0	418/6
Mar	429/2	423/0	434/0	422/0
May	405/4	395/4	412/0	397/4
Jul	374/2	366/2	379/0	367/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	70.97	72.00	71.72	70.82
Dec	72.00	72.70	72.45	71.80
Feb	73.30	73.45	73.60	72.90
Apr	74.70	74.90	75.00	74.35
Jun	73.97	74.15	74.25	73.75
Aug	71.15	71.30	71.70	71.15
Sep	71.25	71.25	0	0

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	37.55	38.52	38.15	37.50
Dec	39.82	40.86	40.55	39.55
Feb	42.45	43.72	43.65	42.30
Apr	42.10	43.20	43.10	42.10
Jun	46.72	47.60	47.50	46.70
Jul	47.55	48.55	48.40	47.07
Aug	46.00	47.32	47.10	45.97

PORK BELLIES 38,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	46.67	48.86	48.30	46.65
Mar	46.87	48.75	48.75	46.75
May	48.65	50.65	50.35	48.55
Jul	49.40	51.17	51.00	49.35
Aug	47.25	49.20	49.35	47.25

WORLD STOCK MARKETS

AUSTRIA | BELGIUM/LUXEMBOURG | DENMARK | FINLAND | FRANCE | GERMANY | ITALY | NETHERLANDS | NORWAY | SPAIN | SWEDEN | SWITZERLAND | SOUTH AFRICA

JAPAN | AUSTRALIA | HONG KONG | SINGAPORE

CANADA

TORONTO

2pm prices September 6

OVER-THE-COUNTER

Nasdaq national market, 2pm prices September 6

Continued from page 43

TOKYO - Most Active Stocks

Tuesday 6 September 1988

	Stocks Traded	Closing Prices	Change on day
Nippon Mining	97.7m	735	+63
Mitsubishi Oil	27.9m	1,480	+100
Honshu Paper	22.6m	768	+26
Nippon Steel	17.4m	665	+7
Kawasaki Steel	17.06m	706	+8
Cosmo Oil	14.8m	893	+65
Mitsubishi Mining & Cement	11.2m	804	+15
Nippon Kayaku	10.75m	1,280	+30
Topy	10.25m	1,020	unch
Mitsubishi Paper	9.68m	1,080	+10

INDICES

NEW YORK — DOW JONES

	Sep 2	Sep 1	Aug 31	Aug 30	1988 High	1988 Low	Since compilation High	Since compilation Low
♦Industrials	2054.59	2002.31	2031.65	2038.23	2158.61 (5/7)	1879.14 (20/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	88.30	88.03	87.99	88.03	91.25 (3/5)	86.12 (4/1)	–	–
Transport	857.23	839.01	846.62	848.42	908.45 (5/7)	737.57 (21/1)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	180.65	177.34	178.70	178.64	190.02 (29/1)	167.26 (20/4)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2064.72 (2027.56) Low 2022.40 (1988.40)

STANDARD AND POOR'S	Sep 2	Sep 1	Aug 31	Aug 30	1988 High	1988 Low	Since compilation High	Since compilation Low
Composite‡	264.48	258.35	261.52	262.51	275.66 (22/6)	242.63 (20/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrials	303.35	296.35	300.05	301.32	318.54 (22/6)	277.86 (20/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financials	25.26	24.52	24.88	25.00	25.54 (3/8)	21.51 (8/1)	32.43 (25/6/87)	8.64 (1/10/74)
NYSE Composite	149.66	146.68	148.29	148.66	155.55 (22/6)	136.72 (20/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	295.62	293.18	294.88	294.98	309.53 (10/6)	262.76 (12/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	376.51	372.96	376.55	376.49	394.77 (18/7)	331.97 (12/1)	455.26 (26/8/87)	54.87 (31/10/72)

	Aug 19	Aug 12	Aug 5	year ago (approx.)
Dow Industrial Div. Yield	3.79	3.73	3.51	2.54

	Aug 24	Aug 17	Aug 10	year ago (approx.)
S & P Industrial div. yield	3.30	3.29	3.26	2.40
S & P P/E ratio	13.57	13.57	13.65	23.20

TRADING ACTIVITY

‡Volume Millions	Sep 2	Sep 1	Aug 31
New York	159,840	144,090	130,480

NEW YORK	Sep 2	Sep 1	Aug 31
Issues Traded	1,988	1,921	1,922
Rises	1,192	359	679
Falls	289	1,075	706
Unchanged	427	487	537

CANADA

TORONTO

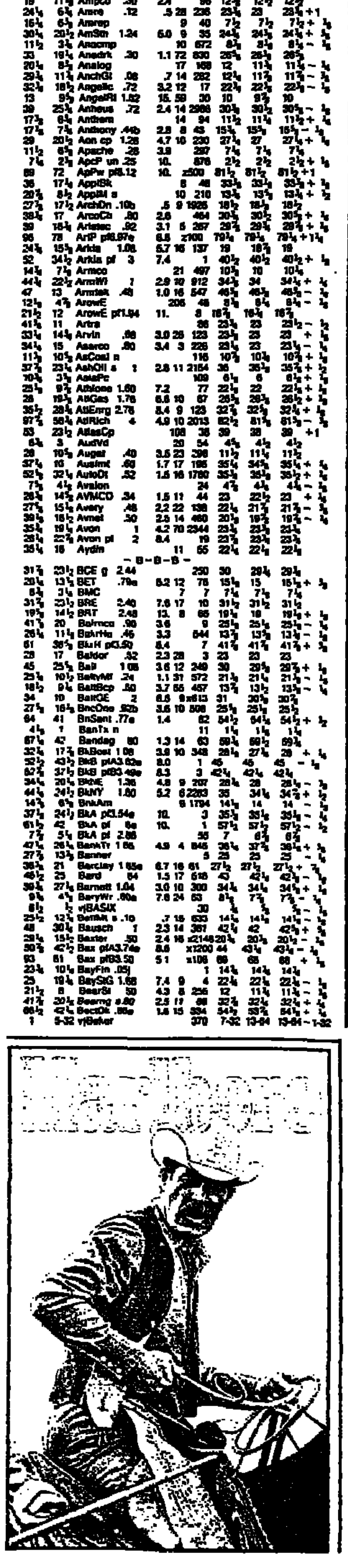
MONTREAL Portfolio

NEW YORK ACTIVE STOCKS

2pm prices September 6

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		— A—A—A —								
27⅞	14	AAR s	.36	1.4	19	163	25⅝	25	25⅝	+ ⅞
10	10	ACM n				160	10	10	10	
12⅛	6¼	ACMIn n1.40e		13.		276	11⅛	11	11	
12⅛	10⅝	ACMSc n1.28		12.		399	11	10⅞	10⅞	− ⅛
10⅛	8⅞	ACMSp n.1.7e		1.9		225	9⅛	9	9	− ⅛
28⅛	10½	AGS			21	775	u28⅛	28	28⅛	+ ⅛
7⅛	2⅞	AMCA				26	3⅞	3⅞	3⅞	+ ⅛
8⅛	3¼	AM Intl				284	5½	5⅜	5⅜	
26⅞	17	AM Int pf	2	9.4		7	21⅝	21⅜	21⅜	− ⅛
58⅝	28¼	AMR			9	4292	44⅞	43⅝	44⅞	+1⅝
10½	5⅛	ARX			12	31	7⅜	7⅜	7⅜	
70½	35¼	ASA	3.	8.0		216	37⅜	37¼	37⅜	− ¼
22⅞	9½	AVX	.08e	.3	12	210	19⅛	18⅞	19	+ ⅛
63½	40	AbtLab	1.20	2.5	15	2043	47⅜	46⅞	47½	
27⅛	15⅞	Abitibi g	1			5	16½	16⅜	16⅜	− ⅛
16½	8½	AcmeC	.40	4.2		25	9⅝	9⅜	9½	− ¼
9½	6⅝	AcmeE	.32b	4.8	47	2	6⅛	6⅝	6⅝	− ⅛
20	14⅛	AdaEx	3.05e	20.		120	15¼	15½	15⅝	+ ⅛
19⅛	6⅞	AdamMl	.24	1.5	16	4	16⅜	16⅜	16⅜	
24⅞	7½	AMD				1313	11⅝	11¼	11⅜	
36⅛	29¼	AMD pf	3	8.7		1	34½	34½	34½	+ ¼
9⅞	4⅝	Adobe				10	7⅜	7⅜	7⅜	
21⅞	17½	Adob pf	2.40	11.		9	21⅛	21	21	− ⅛
12⅛	5⅞	Advest	.12	1.4	16	23	8⅝	8⅜	8⅝	
61⅞	38½	AetnLf	2.76	5.7	8	3606	48⅝	47⅞	48⅝	+ ⅝
36⅛	20½	AlIPb s	.20	.7		728	27⅜	26⅝	27½	+1
21⅛	13	Ahmans	.88	5.6	10	640	15⅝	15½	15⅝	− ⅛
4⅝	1⅛	Aileen				20	4½	4½	4½	
63⅝	29	AirPrd	1.20	2.8	12	2166	42⅝	42	42⅝	+ ⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]



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حكنذا من الأصل

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										
36	19¾	XTRA	.72	2.1	15	155	34¾	34	34¼	+ ⅛
29¼	19½	XTRA pf1.94		6.8		100	28⅝	28⅝	28⅝	− ⅛
59¾	17½	Yorkin			15	70	52⅛	52¼	52½	
5⅝	2¼	Zapata				482	3	3	3	
37	19½	Zayre	.40	2.0	137	3599	21⅛	20¾	20½	− ⅛
30	10	ZenithE				804	21⅝	21¾	21½	+ ¼
10⅛	8½	Zenin n	.26e	2.6		204	10⅛	10	10	
8⅝	1	vjZenLb				131	1⅝	1⅛	1⅛	
21⅝	12¼	ZenNtl	.80b	4.3	9	67	18¾	18½	18½	− ¼
19⅝	11⅜	Zero	.40	2.6	14	42	15½	15¼	15⅝	+ ⅛
27⅝	15	Zurnin	.66	2.9	15	522	23⅝	23⅛	23¼	+ ⅛
11¼	7⅝	Zweig	1.06e	10.		146	10¼	10⅛	10¼	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

2pm prices September 6

Stock	Div.	E	100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, 2pm prices September 6

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						

Continued on Page 41

AMERICA

Profit-taking erodes early gains as caution emerges

Wall Street

TENTATIVE early gains were eroded on Wall Street yesterday, as stocks failed to build on their explosive rally of last Friday, *writes Roderick Oram in New York.*

Investor enthusiasm was dampened by profit-taking and a more cautious view of August's job data, which had triggered the rally.

The Dow Jones Industrial Average rose more than 10 points in early trading, but quickly slipped amid profit-taking and low institutional interest. At 2 pm the Dow was up 6.22 at 2,060.81. New York Stock Exchange activity was slow, with fewer than 80m shares traded by early afternoon.

Bond markets followed a similar pattern. Analysts cautioned that the cooling of the US economy indicated by the job figures required corroborating evidence over coming months before markets could be sure of lower interest rates. While the Federal Reserve was unlikely to tighten its monetary policy in the short term, it might have to do so later if the slowdown failed to become more marked.

A slower growth rate was, in fact, apparent in only one district in the Federal Reserve system – St Louis, according to the "Tan Book" of economic conditions prepared by districts for the Fed's next policy meeting on September 20. Other districts report that manufacturing remains strong and, in some industries, close to full capacity, therefore putting upward pressure on prices, according to details of the reports released yesterday.

Markets took some encouragement from the monthly report from US purchasing managers. For a second month, it showed a small decline in managers' confidence of continuing economic expansion. The weak areas were a sharp decline in the rate of growth of export orders and in inventories, and a slightly less rapid growth rate for production.

The strength of Friday's rally, which drove the Dow up 52 points and the price of 30-year Treasury bonds by 2⅛ points, surprised market participants. Bonds look particularly over-bought and vulnerable to a correction, especially if the dollar remains weak. The Treasury benchmark long bond dipped yesterday about ¼ point to 100$\frac{11}{32}$, yielding 9.06 per cent after being about ¼ point ahead earlier.

Among blue chips, General Motors slipped $⅛ to $73¼, Philip Morris lost $⅛ to $94⅛, AT&T was unchanged at $25, General Electric added $¼ to $41⅛, Boeing edged up $⅛ to $59⅝ and Coca-Cola rose $⅜ to $41⅜.

Essex Chemical rose $1⅞ to $35⅝ after agreeing to a $36-a-share takeover offer from Dow Chemical, up $⅞ at $86¼.

Varo dropped $1⅝ to $24⅝ following news late on Friday that United Scientific Holdings of the UK would not pursue its interest in bidding $26 a share for the company. Varo, a military electronics and optics group, recently accepted a $25-a-share offer from IMO Delaval.

Waste Management rose $1 to $38⅝ on heavy volume. The group, a leader in the disposal of hazardous materials, should benefit from stricter state regulations on toxic waste, according to analysts.

Texas Air rose $⅞ to $12⅝ in brisk American Stock Echange trading. Its Eastern Airlines subsidiary was given permission to begin laying off 4,000 workers, pending further court hearings on the subject. The job cuts are part of a key reorganisation aimed at restoring the airline's profitability.

International Business Machines fell $1⅛ to $112⅞. A slowdown in the economy could weaken orders for computers and other capital equipment.

System Integrators rose $⅝ to $8⅝. The maker of computer systems for newspapers said it was still reviewing several tentative takeover offers. Mr James Lennane, chairman, has extended his $8-a-share buy-out offer until October 3.

Canada

RISING base metal stocks were the chief feature of midsession trading in Toronto, as most shares gained slightly.

The composite index added 1.5 to 3,291.6 on light volume of 8.5m shares.

Election results fail to see off the bears

Alison Maitland on the factors behind Singapore's recent downward correction

Extraordinarily rapid economic growth, buoyant soft commodity prices and plentiful spare cash among small investors should spell good news for a stock market such as Singapore.

Yet share prices have reacted with more of a whimper than a bang to the victory of the ruling People's Action Party in last weekend's general election – a victory that promised the stability so beloved of financial markets.

A sharp rise in the Straits Times industrial index in early trading on Monday was attributed as much to Wall Street's strong performance the previous Friday as to the electoral triumph of the Prime Minister, Mr Lee Kuan Yew.

Yesterday the market turned lower again in response to falls in Tokyo and an absence of institutional buying, with the index ending 4.76 down at 1,062.28 in very thin trading.

Over the past month, shares have been undergoing a steep downward correction. The index is still about 10 per cent off its 1988 high of 1,177.87 – reached on August 8 – after falling by 13 per cent to a low of 1,020 last Tuesday. Volume has dwindled to a trickle on some days, with the only activity coming from individual investors while institutions and foreigners remain absent.

So what happened to the strong recovery shown by Singapore in the first half of the year? Up to August 8, the index had climbed 41 per cent, making Singapore one of the biggest outperformers of the world index.

Part of the reason for those gains was that Singapore, like its fellow outperformer this year, Australia, fell more heavily than most during last year's crash, so there was still a lot of ground to make up. The Straits Times industrial index is currently 29 per cent off its all-time high of 1,505.40, which was reached in August last year.

The strength of commodities such as rubber, palm oil and tin also helped, and many small investors were flush with cash because of buoyant export remittances.

Then there was the economic optimism, culminating on August 9 in the National Day celebrations when the Government announced that GDP had reached 11 per cent in the first half and that the forecast for the full year had been revised up sharply to 9 per cent.

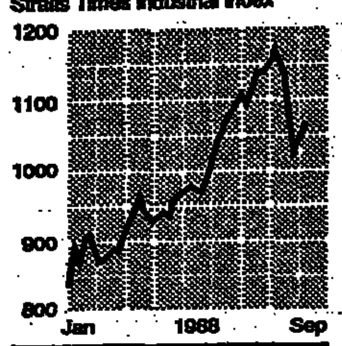
By this time the market was looking overbought and good news was already discounted in prices. Globally, worries about rising interest rates were giving markets the jitters. It therefore took only a few disappointments on the corporate front, such as the results from OCBC bank and Haw Par, the investment holding and trading company, to trigger a downturn.

Bear market sentiment set in, with investors anxiously watching each development in the US economy and every twist and turn of the Tokyo market. The success of an independent candidate in the Johor Baru by-election in Malaysia last month increased political uncertainty there, and the general election in Singapore was a further excuse to hold back.

Now the election is out of the way, analysts do not necessarily see Singapore pushing strongly ahead again. The PAP may have won a convincing, and expected, victory, but there is political uncertainty over Mr Lee's plans to create an elected presidency with executive powers.

Singapore

Straits Times Industrial Index



Moreover, while the local market might favour the status quo, some outsiders believe that foreign investors could hold back because of misgivings about the political system.

Analysts agree the outlook is uncertain. Mr Peter Bristowe, Far East specialist at Hoare Govett, sees the index settling down in a 100-point range. "The market's not going to soar away." Because of rapid economic growth, he points out, the market is on a premium to most other exchanges, with a prospective price/earnings ratio of about 18 compared with 9 in Hong Kong.

It is also an illiquid market, with large amounts of stock controlled by the banks or families.

Other analysts cite uncertainty over the US presidential election and signs of growing protectionism from the US and Europe towards Far Eastern products.

Mr Roger Delaney, an assistant director and Singapore specialist at Citicorp Scrimgeour Vickers, believes the fundamentals are good. However, Singapore could well be held back by events outside its control. "We've got a world problem, one of a perception of rising interest rates, where equities will not perform very well. Singapore is not going to buck that trend," he says.

EUROPE

BMW rises on rumours of stake-building

MOST bourses finished slightly higher but there was little direction to European trading and turnover levels remained thin, *writes Our Markets Staff.*

FRANKFURT came off the day's highs to end only marginally better. Volume picked up a little to DM2.4bn, and traders said this reflected greater activity on the part of domestic institutions.

The FAZ index gained 1.65 to 487.26 at midsession and the DAX real time index ended 4.89 higher at 1,179.76.

The mood was helped by news of a 3.4 per cent rise in second quarter gross national product – slightly better than expected. An unchanged rate of 4.25 per cent for the latest securities repurchase agreement by the Bundesbank encouraged the view that interest rates had stabilised.

Carmaker BMW was one of the strongest performers, rising DM12 to DM492. After moving little for the first hour of trading, it suddenly shot up DM10 and a rumour spread through the market that Siemens was buying 25 per cent of BMW from the Quandt family, the main shareholder. There were also reports of a large buy order from Düsseldorf. Siemens rose DM3 to DM433.

Bonds were sprightly, gaining up to 60 pfg on the stable D-Mark. The yield on the previous 6⅜ per cent 10-year federal bond dropped to 6.65 per cent from 6.72.

PARIS had another quiet day, with volumes at extremely low levels. There was little news to inspire demand and share prices ended little changed, underpinned late in the day by the firmer opening on Wall Street.

The CAC General index, calculated at the opening, was down 1.8 at 348.3. At the session's close, the OMF 50 index was just 0.09 weaker at 347.97. Turnover was estimated to be similar to Monday, when only FFr549m worth of shares changed hands.

The takeover battle for Irish Distillers, pitting France's Pernod against Britain's Grand-Met, left investors confused. There were doubts whether Pernod could benefit either way, one analyst said. A successful bid would cost Pernod dear; if the French drinks group lost, it would be left without a clear cut strategy. Pernod fell FFr11 to FFr1,052.

Fellow drinks group Perrier was one of the more active stocks as speculative trading resurfaced. About 42,600 shares were dealt, with the issue rising FFr3 to FFr959.

Canal Plus, which rose strongly on Monday, gained FFr1 to FFr578, having been at FFr579, and Agence Havas saw late demand, closing FFr1 higher at FFr709 after falling to FFr705. The market is awaiting news on a possible restructuring of shareholdings between the two.

AMSTERDAM saw afternoon profit-taking but managed to end slightly up on Monday, in spite of a drop in the dollar. The CBS all-share index edged up 0.4 to 95.6 and volume was similar to Monday at Fl 168m.

Heineken, the brewer, opened strongly after the previous day's decline but then fell back to end 80 cents lower at Fl 136.70. Airline KLM, announcing a rise in its provisional loan factor to 72.3 last month from 71.7 in July, added 60 cents to Fl 35.30. And insurer Aegon, which received permission to be listed on the Tokyo exchange, ended 40 cents higher at Fl 83.20.

HELSINKI dropped sharply, with the Unitas general index falling 12.4 points, or 1.8 per cent, to 695.1. Shares were hit by profit-taking following last month's record highs and by a negative reaction to Union Bank of Finland's one-for-five rights issue.

STOCKHOLM rallied after initial losses, buoyed by Wall Street's opening gains and lower oil prices. The Affärsvärlden index rose 4.8 to 863.7. Ericsson, which has won a $230m order from Mexico for telephone exchange equipment, added SKr4 to SKr270.

ZURICH had another lacklustre session, moving little in thin turnover.

Most of the activity was again speculative.

MADRID continued its slow recovery from last week's poor performance, with the general index gaining 0.84 to 281.32. Construction, investment and utility stocks were among the best performers, but volume was low again.

MILAN had another thin day, but stocks moved higher, led by bank gains. The Comit index added 3.71 to 518.04. Insurance leader Generali was up L790 at L90,990 on foreign and local buying.

● A new share index of 25 leading Italian blue chips was launched in Milan yesterday by Studio Aletti, the securities house chaired by Mr Urbano Aletti, a former president of the Milan stock exchange, *writes Alan Friedman in Milan.*

The Aletti 25 Index groups such top stocks as Fiat, Generali, Olivetti and Mediobanca and covers nearly 60 per cent of the market's total capitalisation. The share basket significantly outperformed the traditional MIB index in the first eight months of 1988, according to Studio Aletti, with a growth rate more than twice that of the main share index.

London

THE DIRECTION of Wall Street was a key influence on trading in London yesterday, with share prices underpinned initially by a firm opening across the Atlantic. As New York's advance was trimmed, however, the FT-SE 100 index fell back to close just 3.5 higher at 1,768.0.

SOUTH AFRICA

GOLD stocks closed unchanged to slightly lower in uneventful trading in Johannesburg yesterday as the bullion price continued to drift.

Vaal Reefs dropped R3 to R244 and Ofsil eased 50 cents to R67.25.

ASIA PACIFIC

Futures demand helps to trim back equity losses

Tokyo

A RISE in futures prices helped to rescue equities in late trading after a wave of small-lot selling, and the Nikkei average ended well off its lows, *writes Isao Nakajima of Jiji Press.*

The day started strongly, with demand spurred by previous rises in European markets. The Nikkei index reached a day's high of 27,449.48 shortly after the opening, but by early afternoon had fallen 130.62 to 27,210.96. By the close, however, it was just 21.07 lower at 27,320.51.

Turnover remained thin, totalling 513.5m shares against Monday's 472.9m. More stocks fell than rose – 480 against 314 – and 231 issues were unchanged.

Later in London, Japanese stocks moved upwards, adding 7.23 to 1,780.37.

In Tokyo, institutional investors stayed away from the market in spite of a firmer yen, but individual investors and business corporations sought incentive-backed stocks, which have been volatile lately.

Nippon Mining was again the busiest issue, with 97.7m shares changing hands. It jumped Y68 to Y740 at one stage, surpassing Monday's record Y721, on rumours of its involvement in a project that has managed to separate a cancer inhibiting gene from a human cell. The stock closed Y63 higher at Y735.

Other cancer-related stocks also registered large gains. Kuraray advanced Y80 to Y1,370 on a report that it had developed a substance that absorbs the AIDS virus, while Green Cross shot up Y160 to Y1,980.

Paper/pulp stocks saw continued demand backed by their good business performance, with Honshu Paper rising Y26 to Y766 on the second heaviest trading of 22.6m shares.

Leading steels turned upwards towards the close. Nippon Steel dropped Y11 to Y647 temporarily, but finished Y7 higher at Y665, while Kawasaki Steel ended Y9 higher at Y708 after falling Y10 to Y689.

In Topix stock index futures trading, the current December contract finished at 2,120, down 4, after losing 13 to 2,111 at one stage. Total futures trading volume further decreased from Y358.1bn on Monday to Y210.9bn. Institutional investors refrained from active buying because of the uncertain trend of the cash market, analysts said.

A short-term economic survey report released by the Bank of Japan showed the domestic economy is growing faster than expected. This fuelled inflation fears and prompted bond selling. The yield on the benchmark 5.0 per cent government bond due in December 1997 rose to 5.350 per cent in inter-dealer trading.

The Osaka Securities Exchange ended lower as investors stayed mostly on the sidelines because of the holiday in New York. The OSE stock average fell 95.11 to 26,268.31. Volume increased by 9.51m shares to 53.55m.

Torishima Pump slipped Y100 to Y1,350 in light selling and Toa Wool Spinning Y50 to Y1,950.

Stock index futures based on the Nikkei average continued to fall. The December contract went down 170 temporarily, but closed the day 40 lower at 27,600. Volume of the December contract was estimated at 20,000 contracts.

Roundup

THE WAIT for Wall Street to reopen after Monday's holiday left Asia Pacific markets directionless yesterday, and most fell back in lacklustre trading.

AUSTRALIA lacked direction after its strong rise on Monday, with mining stocks weakened by falling commodity prices. The All Ordinaries gave up 4.7 to 1,567.2.

Western Mining fell 14 cents to A$5.50, Bougainville 5 cents to A$3.40 and MIM 3 cents to A$1.85. CRA, however, rose 4 cents to A$8.48 on news of record interim profits.

HONG KONG was held back by the wait for Wall Street to resume trading and shares fell after a slow session.

The Hang Seng index, which rose by 60 points on Monday, fell 6.10 to 2,502.09, and turnover dropped to HK$414m worth of shares against HK$688.4m the previous day.

SINGAPORE was also quiet in the absence of a lead from New York and, keeping one eye on Tokyo, ended the session lower. The Straits Times industrial index eased 4.76 to 1,062.28.

TAIWAN was pulled lower by sharp losses in the financial sector, with the weighted index closing 74.39 lower at 8,018.89.

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY SEPTEMBER 5 1988					FRIDAY SEPTEMBER 2 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988 High	1988 Low	Year ago (approx)
Australia (86)	142.96	+2.3	125.72	118.81	3.92	139.68	123.01	117.11	152.31	91.16	169.50
Austria (16)	86.98	+0.5	76.49	83.84	2.50	86.51	76.18	83.89	98.18	83.72	98.35
Belgium (63)	112.79	+1.2	99.18	109.87	4.59	111.46	98.16	108.99	139.89	99.14	133.05
Canada (126)	118.26	+0.3	103.99	105.67	3.26	117.93	103.85	105.67	128.91	107.06	136.78
Denmark (39)	121.35	+0.8	106.71	117.72	2.53	120.41	106.04	117.38	132.72	111.42	123.38
Finland (26)	116.21	-0.7	102.19	107.34	1.60	117.05	103.08	109.02	139.53	106.78	–
France (129)	90.58	+0.3	79.65	89.73	3.62	90.26	79.49	89.41	99.62	72.77	115.86
West Germany (100)	75.38	+1.8	66.29	72.70	2.54	74.07	65.23	71.58	80.79	67.78	100.37
Hong Kong (46)	102.62	+2.5	90.23	102.86	4.53	100.14	88.19	100.36	111.86	84.90	146.48
Ireland (18)	130.21	+2.5	114.50	127.23	3.73	127.07	111.90	124.64	144.25	104.60	145.38
Italy (100)	70.04	+0.3	61.59	72.34	2.78	69.84	61.50	72.24	81.74	62.99	88.85
Japan (456)	154.66	+1.0	136.00	132.96	0.54	153.13	134.86	131.60	177.27	133.61	145.81
Malaysia (36)	139.16	+2.4	122.37	142.99	2.60	135.94	119.72	139.89	154.17	107.83	174.56
Mexico (13)	152.17	+0.0	133.81	380.49	1.43	152.09	133.94	380.22	180.07	90.07	372.29
Netherland (38)	101.62	+1.1	89.36	97.19	4.73	100.53	88.53	96.35	110.66	95.23	124.00
New Zealand (20)	73.25	+3.5	64.42	62.77	5.96	70.75	62.31	62.30	84.05	64.42	132.24
Norway (25)	110.42	+0.3	97.10	103.27	2.90	110.08	96.94	103.32	132.23	98.55	178.95
Singapore (26)	122.17	+1.5	107.43	114.68	2.35	120.31	105.95	113.43	135.89	97.99	168.13
South Africa (60)	105.83	-2.7	93.07	86.48	4.98	108.73	95.76	86.73	139.07	105.83	187.66
Spain (43)	139.78	+0.8	122.91	130.78	3.45	138.62	122.08	130.12	164.47	130.73	159.82
Sweden (35)	113.13	+0.9	99.48	107.90	2.64	112.11	98.73	107.26	125.50	96.92	131.11
Switzerland (55)	75.53	+1.0	66.42	73.14	2.34	74.80	65.87	72.53	86.75	74.13	108.52
United Kingdom (323)	123.97	+1.1	109.01	109.01	4.66	122.56	107.93	107.93	141.18	120.66	155.30
USA (580)	108.08	+0.0	95.04	108.08	3.68	108.08	95.18	108.08	112.47	99.19	129.42
Europe (1009)	101.03	+1.1	88.84	93.94	3.87	99.97	88.04	93.11	110.82	97.01	127.56
Pacific Basin (670)	152.09	+1.1	133.74	131.11	0.76	150.46	132.50	129.72	172.26	130.81	146.71
Euro-Pacific (1679)	131.68	+1.1	115.80	116.29	1.72	130.28	114.73	115.12	147.53	120.36	139.12
North America (706)	108.61	+0.0	95.51	107.95	3.66	108.59	95.63	107.95	113.29	99.78	129.81
Europe Ex. UK (686)	86.71	+1.0	76.25	84.65	3.21	85.86	75.61	83.98	92.99	80.27	110.33
Pacific Ex. Japan (214)	121.12	+2.4	106.51	108.04	4.10	118.27	104.16	106.23	128.27	87.51	157.85
World Ex. US (1878)	130.98	+1.0	115.18	115.75	1.80	129.66	114.19	114.64	146.49	120.26	139.70
World Ex. UK (2135)	121.87	+0.6	107.17	113.49	2.20	121.11	106.66	112.80	131.77	111.77	133.76
World Ex. So. Af. (2398)	122.14	+0.7	107.41	113.24	2.41	121.30	106.82	112.51	132.39	113.26	135.34
World Ex. Japan (2002)	106.44	+0.5	93.60	103.01	3.76	105.96	93.32	102.62	112.43	100.00	130.84
The World Index (2458)	122.04	+0.7	107.32	113.06	2.43	121.22	106.76	112.34	132.38	113.37	135.67

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).

Latest prices were unavailable for this edition.
Markets closed September 5. Canada and USA.